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# SOCIAL SECURITY AND WELFARE PROPOSALS

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## HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

FIRST SESSION

ON THE

SUBJECT OF SOCIAL SECURITY AND WELFARE  
PROPOSALS

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OCTOBER 15, 16, 21, 22, 23, 24, 27, 28, 30, 31, NOVEMBER 3, 4, 5,  
6, 7, 10, 12, AND 13, 1969

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Part 3 of 7

(October 22, 23, 24, and 27, 1969)

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Printed for the use of the Committee on Ways and Means



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# SOCIAL SECURITY AND WELFARE PROPOSALS

WEDNESDAY, OCTOBER 22, 1969

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
*Washington, D.C.*

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Our first witness this morning is our colleague from Florida, Mr. Bennett.

The next witness is our colleague from Florida, Mr. Pepper.

Mr. Bennett and Mr. Pepper are not in the room?

Our next witness, then, is Mr. Hillenbrand.

(See p. 696 for statement of Mr. Hillenbrand filed for the record.)

Mr. Hillenbrand, will you please come forward?

Our next witness is Mr. H. C. Lumb.

Mr. Lumb?

## STATEMENT OF H. C. LUMB, CHAIRMAN, EMPLOYEE BENEFITS COMMITTEE, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. LUMB. Yes, sir.

The CHAIRMAN. Mr. Lumb, if you will please identify yourself for our record by giving us your name, address, and capacity in which you appear, we will be glad to recognize you, sir.

Mr. LUMB. Mr. Chairman, I suddenly showed up with a cold this morning. I hope I can get through this.

My name is H. C. Lumb and I am vice president of Corporate Relations and Public Affairs, Republic Steel Corp., with general offices in Cleveland, Ohio.

The CHAIRMAN. We appreciate having you with us, sir, and you are recognized.

Mr. LUMB. I have a fairly short statement, Mr. Chairman, and in view of that I would like to read it.

I welcome and appreciate the opportunity to appear before this committee on behalf of the National Association of Manufacturers. I serve NAM as a director and as chairman of its employee benefits committee, the activities of which cover the major issues and proposals relating to both private and public employee benefit proposals.

### INTRODUCTION

NAM believes that the social security program should be designed to strengthen and operate as a part of our free economy. Further, it should provide a basic benefit to which private retirement benefits, together with personal savings and investments, can be added to provide overall retirement income for a retired worker.

The Social Security Act was enacted by Congress in 1935 and established a compulsory "Federal old-age benefits" program designed to pay monthly benefits as a matter of earned right to individuals retiring at age 65. It now covers nearly all private employment.

Today the social security program is a recognized, almost universal, system. It has wide appeal, because it is recognized as a "social insur-



ance" program to protect eligible individuals in old age. Over the years it has been broadened to cover other risks such as death, total and permanent disability and medical programs for the aged. Earned right, however, continues to be the concept of benefits, not relief or need.

The Primary function of OASDHI, as conceived by Congress, is to provide a basic floor of protection against the covered risks. NAM believes that this is the proper and appropriate role for the social security system.

#### BENEFIT INCREASES

As you know, H.R. 14080 proposes a 10-percent across-the-board increase in social security benefits, effective March 1970. It also proposes an automatic increase in benefits in the event of future increases in the cost of living. Specifically, this latter proposal would increase benefits corresponding to increases in the Consumer Price Index (CPI)—such action to be triggered when the CPI has risen by at least 3 percent.

We recommend that Congress favorably consider the 10-percent increase in social security benefits proposed in H.R. 14080, but we seriously question the proposal for an automatic increase tied to the Consumer Price Index. NAM believes that an automatic escalator is essentially inflationary and that it would operate only to add to the pressures on our already inflated economy. Congress has traditionally exercised the responsibility to review and adjust benefit levels periodically. We believe that any increases in benefit levels that may be warranted should continue to be prescribed by Congress after giving due consideration to economic conditions, cost considerations and other factors as has been done in the past. Only in this manner can we be assured of full congressional consideration of all relevant circumstances existing at a time when increased benefit levels are proposed. We believe that this is a necessary responsibility of the Congress and that increases granted should be appropriate to the times. Furthermore, once tied to a cost-of-living escalator, an automatic cycle of increased benefit levels would add to the problems of inflation. Finally, any automatic benefit increases would reduce the pressure on Congress and on the administration to fight inflation in the future.

#### TAXABLE WAGE BASE

H.R. 14080 proposes to increase the earnings counted for benefit and tax purposes from the present \$7,800 to \$9,000 effective January 1, 1972. Since 1935 there have been five increases in the taxable wage base—most recently in 1967 to \$7,800. These increases were said to have been justified on the basis that Congress desired to maintain the "wage-related" character of the benefit structure as average wages increased in the Nation. In addition, the increases have helped to keep the program on a self-supporting, pay-as-you-go basis where benefit increases would be financed through increases in revenue. While there is no neat mathematical answer to the question of what is the correct taxable wage base, there is fairly widespread agreement that payroll taxes should support the program and that the earnings base should bear a reasonable relationship to the general earnings level.

NAM believes that an increase in the taxable wage base is not appropriate at this time. As in 1952, the proposed increases in benefits can be made without increasing the taxable wage base. We believe that

the \$7,800 level established in 1967 was unnecessarily high. We do not believe that an increase in the tax base is needed now to keep financing on a wage-related pay-as-you-go basis. If added revenue were needed to support the proposed benefit increase, we believe that it should be obtained through increases in the tax rate rather than in the taxable wage base. This is so because the purpose of social security is to provide a floor of protection on average income and an increase in the wage base at this time will jeopardize this concept of a floor of protection as well as private pension plan operation.

H.R. 14080 also proposes that a permanent relationship between the taxable wage base and covered average earnings be established and that this relationship should automatically trigger an increase in the taxable wage base. NAM believes that any automatic change in benefit levels already discussed, fail to give the Congress an opportunity to consider matters which should be given consideration if and when the wage base is to be changed. In addition, such automatic escalation of the taxable wage base would adversely affect private pension plans which "integrate" with social security. The lag in the complex Internal Revenue Service regulations and the resulting uncertainty in the pension status of millions of employees covered by such plans must be carefully considered. Without the study required by this particular problem, enactment of an automatic escalator in the taxable wage base would result in chaotic conditions for integrated private pension plans.

#### EARNINGS TEST FOR RETIREMENT PURPOSES

In this area, H.R. 14080 proposes to increase the annual exempt amount of earnings from \$1,680 to \$1,800. In addition, the bill would increase the amount of the monthly earnings test from \$140 to \$150. For earnings in excess of the proposed exempt amount of \$1,800, the bill provides for a reduction in benefits of \$1 for each \$2 of all earnings. At the present time, there is a \$1 reduction in benefits for each \$2 of earnings between \$1,680 annually and \$2,880. In addition there is a dollar for dollar reduction for earnings in excess of \$2,880. The bill further provides for an automatic upward adjustment of the annual exempt amount (and the monthly earnings test) in relation to future increases in the average earnings level.

The social security program is designed to provide retirement benefits for those individuals who have actually retired. Those persons who would receive the additional benefits here proposed are those who are obviously able to work and who continue to work. If moneys were available they should be more properly used for paying higher benefits to persons who are actually retired.

We believe that social security should continue to be a retirement program and not a bonus or annuity. Retirement is a condition for the receipt of benefits. There are borderline cases, however, and it is for that reason that, for years before age 72, the program permits a certain amount of earnings with no less of benefits and then only a gradual withholding of benefits as earnings increase.

NAM believes that the earnings test should continue at its present rate because, obviously, benefits for everyone who reaches a certain age, whether retired or not, would be a concept entirely foreign to payments for retirement benefits and would also be very costly.

Having in mind the purpose of the earnings test, that is, to determine whether a person is really retired, it is especially inappropriate



ate to attempt to establish an automatic formula for any future changes in the test.

I thank the committee for the opportunity to present this testimony.

The CHAIRMAN. We thank you, Mr. Lumb, for bringing to us the views of the National Association of Manufacturers.

Any questions of Mr. Lumb?

Mr. CONABLE. Mr. Chairman?

The CHAIRMAN. Mr. Conable.

Mr. CONABLE. Mr. Lumb, you put great stress on integrating this with private pension plans.

Mr. LUMB. Yes.

Mr. CONABLE. I wonder if you could generalize for us about the current trends in private pension plans since the 1967 Social Security Act. Has there been a tendency to expand this part of the fringe benefits of employment or has there been a tendency instead to make primarily wage settlements—current wage settlements—in industry?

Mr. LUMB. There are a great number of pension plans that were inaugurated after the 1942 act which permitted integration, and these pension plans, many of them or most of them, were not negotiated pension plans. They were contributory pension plans, and there is a great lag in getting an amendment to those plans when the wage base changes.

Mr. CONABLE. In other words, there has been comparatively little adjustment of the pension plans to accommodate for the wage-base increases provided in the 1967 act?

Mr. LUMB. That is right. The Internal Revenue Service regulations took about 2 years to change the base.

Mr. CONABLE. Is there any place where the committee can get the benefit of some study that may have been made of these private pension plans so that we can see how this integration is being carried on?

Mr. LUMB. I will do my best to supply this information.

Mr. CONABLE. I wondered if there had been any study by your organization or anyone else.

Mr. LUMB. I think there possibly has. There is a group in Washington following the legislation vis-a-vis social security and I will see if I can produce something for you.

(The information referred to follows:)

A review of available public and private sources reveals that there have been no formal studies made on the extent of pension plan integration. A recent study by the American Enterprise Institute, for example,<sup>1</sup> points out that "There are no accurate figures on the number of integrated pension plans or their total membership . . ." The governmental sources which we checked include the Bureau of Labor Statistics, and the Social Security Administration.

The Bankers Trust Company of New York, which publishes one of the most comprehensive studies in the field, estimates that the percentage of conventional plans which are integrated is between 80 and 90 percent and that this level has remained fairly constant during the sixties.

In addition, we think it is fair to say that nearly all private pension plans have experienced difficulty in integrating where there has been a significant increase in the taxable wage base and pension levels. Many companies have adjusted for the 1969 change in the taxable wage base of this two-year period but many still have not accommodated their plans to the full \$7,800 base. In addition, many of those plans which have adjusted have not yet received Internal Revenue Service approval. Any additional increase in the taxable wage base at this time or in the near future, would only further confuse and complicate the matter.

<sup>1</sup> "The Integration of Private Pension Plans With Social Security," July 30, 1968, page 9.

Mr. CONABLE. Traditionally, the private pension plans have covered the area of middle employment, have they not, while social security has covered the lower-wage areas?

Mr. LUMB. Yes.

Mr. CONABLE. There has been some effort to stratify the benefits a company pays by measuring it with social security on the lower level and private pension plans in the middle area, is that right?

Mr. LUMB. That is correct, and many of the original negotiated plans had an offset for the social security, but as each negotiation has come up there has always been a tendency to reduce the offset.

Mr. CONABLE. But it would be your impression because of inflexibility of the IRS and others that there has been very little opportunity to adjust the private plans to accommodate for the increased wage base provided in the 1967 act?

Mr. LUMB. Well, there has been a tremendous lag in this adjustment. Put it that way.

Mr. CONABLE. Thank you very much, Mr. Lumb.

That is all, Mr. Chairman.

The CHAIRMAN. Any further questions of Mr. Lumb?

Again, we thank you for coming to the committee, Mr. Lumb.

Mr. LUMB. Thank you.

The CHAIRMAN. The Chair observes that our colleague from Florida, Mr. Pepper, is now in the room.

Mr. Pepper, we appreciate your taking time from your busy schedule to be with us. You are recognized, sir.

#### **STATEMENT OF HON. CLAUDE PEPPER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA**

Mr. PEPPER. Thank you very much, Mr. Chairman, and members of the committee.

It is a great privilege and pleasure for me to appear before this very distinguished Committee on Ways and Means in behalf of the many thousands of older citizens in my congressional district and the many millions in our Nation who depend upon the Social Security System for the hope of living out their remaining years with some measure of security and dignity.

I have always been an ardent supporter of this system, and I am proud to have had some part over the years in improving and expanding its provisions, especially into the area of hospital and medical care.

The Social Security System, although still far from perfect, is one of the major achievements of humanitarian social policy which the Congress has ever adopted. In its one-third of a century of existence, it has become the firm and indispensable foundation of our social defenses against the fear of poverty and dependency which so often has prevented the average citizen from approaching old age with any degree of hope and anticipation of repose and reward for a long life well lived.

Today, 92 percent of all of our senior citizens, 65 and over, rely upon the old-age-insurance program for a significant part of their incomes. Many millions more rely upon the provisions for early retirement, for total and permanent disability, and for the protection of surviving mothers and children.

You in this committee and we in the Congress, should not shrink, however, from the fact that an inadequate income is still the No. 1



problem of one-third of the 20 million Americans now over 65 years of age, and we cannot hide from the reality that an inadequate income will continue to be the No. 1 problem for years to come if we continue to allow inflation to outrun our best efforts to improve the Social Security system.

The fear of facing poverty in their retirement years also plagues new millions in the younger generation. They have but to look around them to see that the fundamental economic problems of old age are still unsolved.

I feel most strongly that we in the Congress must act now to remove the threat of poverty from our elderly and enable them to enjoy meaningful retirement years.

The economic events of this year have already outrun the principal provision of the bill, H.R. 1273, which I introduced early in this session. I proposed at that time a 15-percent across-the-board increase in monthly benefits and an increase in the minimum primary benefit from \$55 to \$70 a month. I had hoped that in addition to compensating for some increase in the cost of living, we might give social security beneficiaries a real increase of some 10 percent in their standard of living.

Now, I believe nothing less than a 25-percent increase, effective immediately, will offset rising living costs and give a meaningful increase in real benefits. I have asked the Social Security Administration to give me a benefit table based upon a 25-percent increase and a minimum primary benefit of \$80. I have not yet received this table and have, therefore, not introduced new legislation incorporating this proposal. I intend to do so at the earliest possible date and make this information available, as it will be, of course, to the committee.

An immediate 25-percent increase in benefits is required to offset the nearly 10-percent increase in the cost of living since the last benefit increase, which went into effect on February 1, 1968. This inflationary rise in the cost of living for our older citizens makes a 10-percent benefit increase, effective April 1, as proposed by the administration, totally inadequate to the needs of the aged or to our responsibilities as Members of the Congress.

I feel we should adopt a cost of living provision to raise social security benefits automatically in the future. But I do not feel we should lock our older citizens into benefits at their current standards of living. We must, I think, make significant improvements in the benefit level at the same time. Indeed, I believe we should incorporate provisions in legislation now which would provide for a real increase of at least 50 percent over the present level of benefits. This increase might well be staged over several years. But I favor making the decision to raise the living standards of our senior citizens now.

I also believe, as I mention later in discussing my bill, H.R. 5849, that we might well experiment with the principle of the guaranteed minimum income by applying it to our senior citizens who have little opportunity to work and who are not expected to compete in the labor market. We could begin, I feel, by guaranteeing a \$100-a-month income to our older citizens, supplementing social security and other incomes with direct payments from the Treasury.

Now, that is simply to guarantee that from all sources, Mr. Chairman, and members of the committee, an older citizen would receive \$100 a month, and I don't see how anybody can expect anybody to live in America today on less than \$100 a month.

At this point, Mr. Chairman, I wish to urge, as I have urged previously, that you include in your legislation raising social security bene-

fits provisions which would prevent the poorest of our social security beneficiaries from losing the supplementary payments made to them under the public assistance program. I hope you will also provide that our veterans will not have their benefits diminished, but that they also will get the full benefits of any social security increases. We should not let the technical provisions of our public assistance and veterans' programs deny to the poorest of our citizens and to our veterans the full benefits of the better living standards which I hope the Congress will approve at this time.

In H.R. 1273 I also recommend what I believe is a fairer system of computing benefits on the average of the 5 highest wage years rather than on the present basis using all years except the lowest 5. And, incidentally, that precedent has been just established by the Congress in respect to Federal employees.

Another change I propose would help the 21½ million widows now receiving inadequate social security benefits. At this time the average benefit paid to widows is only \$86 a month which is considerably lower than the \$100 average monthly benefits paid to retirees. I do not understand why widows' benefits should be so much less. Therefore I am proposing that their benefits be increased to 100 percent of the deceased husband's benefits. These benefits should also be increased as the cost of living increases.

In addition, I introduced H.R. 10754 which amends title II of the Social Security Act so that a widow or widower would retain a larger portion of insurance benefits when he or she remarries.

The social security program benefits more than just the aged. For years I have wanted changes in easing disability qualification, and I remember, as do many of you who have been here a long time, the struggle we have had back over the years to try to get the benefits payable to the disabled at an age lower than the age at which they are entitled to social security. Under the present law a blind person under 55 years of age is not able to qualify for disability benefits on the same basis as older blind people. Older blind people who are unable to do a job calling for the skills they used in their previous work are eligible for benefits even though they can do other types of work. I feel that we must act now to liberalize the qualifications under title II governing eligibility of blind persons so that every person who is blind and who has at least 6 months of coverage will receive disability insurance benefits.

What does age have to do with it, Mr. Chairman, and members of the committee, if a person is condemned to the eternal darkness of night?

In addition, as I provided for in H.R. 1273, the waiting period for receiving disability insurance should be reduced from the present 6 months to 3 months and the requirement that a disability must last for a continuous period of at least 12 months or consummate in death in order for a worker, widow or dependent widowers to receive benefits should be eliminated. People who are disabled need benefits immediately. All you need to do is to establish the character and assurance of the disability and not have the arbitrary waiting period.

I say people who are disabled need benefits immediately and any delay may complicate their disability and their rehabilitation.

I also introduced in the 90th Congress and have introduced in the 91st Congress in H.R. 1273 a necessary provision to make medicare benefits available to all those receiving disability benefits. There is no



doubt that disabled social security recipients have a great need for medicare in view of the simple truth that medical costs are high and their incomes are too low to cover the costs. The Social Security Administration says that as many as 54 percent of the disabled receiving benefits today are without some kind of health insurance and that their costs are three times the comparable costs for older people now under medicare. We must make it a right for the disabled to be eligible for medicare. For many it would be their sole means of meeting medical costs.

Another serious problem concerns me, and I am sure every member of this committee, which is why I introduced a provision in this bill that would further amend the hospital insurance program. I would like to see medicare cover the cost of prescription drugs for our elderly. Medicare is not fully meeting the needs of our elderly as long as they are burdened by the cost of prescription drugs. As I have emphasized over and over again the major item in medical expenses is the cost of drugs. I only have to repeat the statement by the August 1968 task force on prescription drugs set up by the Department of Health, Education, and Welfare to point out the severity of this problem. The task force concludes in a 1968 estimate "that 20 percent of the elderly would have no drug expenses, while the costs would be less than \$50 for 41.5 percent, between \$50 and \$99 for 19 percent, between \$100 and \$249 for 15.5 percent, and \$250 or more for 4 percent."

In light of these figures we know that social security recipients could only afford adequate drugs if they were reimbursed under the medicare program. I strongly feel that the cost of prescription drugs should be a reimbursable medical expense under the supplementary insurance program.

The last provision in H.R. 1273 would authorize the financing of the supplementary medical insurance program (part B) from general revenues. I feel that the social security program has become such an integral part of our national economy that it should be fully integrated into the Federal budget. This step can begin by eliminating the monthly charge for medical insurance and transferring this charge to general revenues. This small change would aid poor people and at the same time only cost the Federal Government \$940 million a year—not a large amount when its purpose is to rid the effects of poverty from our Nation's citizens.

We, in Congress, must also give firm attention to another principle which I have embodied in my bills. I introduced H.R. 5849 because I firmly believe that it is of immediate importance to this Nation. Today's social security recipient who has the will and the ability to work is punished for his initiative, yet we continue nurturing this system.

I do not deny, Mr. Chairman, that under the economic conditions which prevailed in 1935, when this great measure of social security was inaugurated, the concept was the one that we have followed since that time, but I do respectfully submit that the time has come when social security system must not be thought of as a way of getting people off the work rolls and into retirement so there can be jobs for the younger citizen. I think the Congress committed this country in 1946 to the principle that it was the duty of the Government of the United States not to provide everybody a job but to provide an economic climate in which everybody ready, willing, and able to work, could work, and that did not exclude older people.



I know you have your problems in funding it, but I respectfully submit that the time has come for us to admit, as I think we should candidly, that any recipient of social security be permitted to draw whatever the law allows and to work and derive as much from earned income as that individual can earn and not have his or her social security benefits diminished on account of whatever the earning may be. They aren't going to earn too much, most of them, but it would simply enable them to have a higher standard of living.

Senior citizens must be able to work indefinitely and still reserve their social security benefits. And, as you know, I happen to be 69 years old. If anybody were to tell me that I had to quit work, that I couldn't be active and try to do something, I know life would fade in significance, in meaning to me and it is that way with a lot of other people who pass the age of 65.

Give them an incentive. If they want to work, give them an opportunity to work and, at the same time, don't deprive them of their social security benefits to which they have contributed at least, half of the cost.

I commend this great committee and the Congress for the relaxation of those restrictions from time to time, but I have long believed that we should relax them entirely.

Just raising the income limits in the retirement test as proposed by the present administration's bill is not enough nor is it at all acceptable to a Nation that prides itself on hard work. I have been a long time advocate of supporting any system which encourages one's ambition to work for a decent living. I do not believe the Federal Government should implement any programs contrary to this ideal.

This is why I urge the passage of my bill H.R. 5849 which removes completely the limitation upon the amount of outside income an individual may earn while receiving benefits under the old-age, survivors and disability insurance program. The retirement test for all social security beneficiaries and for all survivor annuitants under the Railroad Retirement Act must be eliminated.

In addition this bill provides a new title, title XX which is a guaranteed minimum annual benefit for every person reaching 62 years of age who has an annual income of less than \$2,400 in the case of a head of a family and \$1,200 for an individual not supporting a family. This would mean providing a guaranteed minimum income of \$100 a month per person or \$200 a month per couple.

These benefits would be paid on a monthly basis unless benefits payable to an individual for any month is less than \$5 in which another plan would be implemented. The amount of benefits received would be determined by the total amount of annual income any individual receives during a calendar year and benefits would come out of general revenue.

All I am suggesting is that we assure that every individual 62 years of age or over be able to receive from all sources, including social security, a minimum income of \$100 a month.

In conclusion, I would like to say that the Congress over the years has taken great steps in improving the Social Security Act which so many citizens in this country depend upon for part or complete survival. There is still, however, an urgent need to do more. We must not rest until we assure Americans an opportunity for a good life. At a time when all Americans are concerned with priorities we must advise

all our colleagues to reflect the needs of the real world by immediate passage of my very necessary amendments.

Mr. Chairman, and members, I add only this: A few weeks ago I went down to the southern part of Miami Beach, which is one of those typical American paradoxes where a lot of very rich people are living contiguous to a lot of very poor people. There were about 300 or 400, I suppose, in a hall which we were addressing and we were talking to them primarily about social security matters. I asked them, "All of you who are living on social security hold up your hands," and nearly every one of them held up their hands. All these were older people.

I said, "All of you living on less than \$100 a month hold up your hands."

Well, I am sure at least 75 percent of them held up their hands.

I said, "All of you living on, getting less than \$75 a month hold up your hands."

Well, I am sure between 50 and 60 percent of them held up their hands.

Now, the city of Miami Beach has just passed a rent control ordinance trying to protect those old people down there on South Beach, who are living in conditions that should be shameful to us. I am going from here to an appointment to see if we can't get some help for better housing for this area, but, if they had a little bit better income, they could pay a little bit more rent. It is just hard for us to realize how many people in this country in the midst of plenty are really living in poverty.

The great chairman of this great committee has done a marvelous job for the people of this country and I know you are going to continue to press forward making things even better for these people so we can finally realize, in Browning's words, "Grow old along with me; The best is yet to be; the last of life, for which the first was made."

As a senior citizen, I salute you, Mr. Chairman, and members of the committee.

The CHAIRMAN. Mr. Pepper, we do appreciate your coming to us. You always bring us very interesting statements and very invigorating thoughts.

Of course, we recognize your longtime interest in and concern about the problems of our senior citizens.

We appreciate very much your coming.

Mr. PEPPER. Thank you, Mr. Chairman.

The CHAIRMAN. Any questions of Mr. Pepper?

Mr. BYRNES. Mr. Chairman?

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. Many of your suggestions are most interesting and some of them have been items that have been suggested.

Mr. PEPPER. Speak a little louder, please. I have a little cold, Mr. Byrnes.

Mr. BYRNES. I say, many of your suggestions, of course, are interesting. I understand, if I counted correctly, there are some 13 changes that you recommend here. I wonder if you have made any effort to compile the costs of the various items.

I notice one item which you say will only cost \$940 million a year. That is a billion dollars. I have always thought that was a little more than "just only."

I wonder if you have calculated what the cost would be.



Some you suggest come from the general revenue, some, social security.

Mr. PEPPER. I am in the process of seeking that information now. As I mentioned in my statement in respect to one item, if I may be permitted to do so I will complete that compilation from the best sources available and file it with the committee.

(The following material was received by the committee:)

#### COST ESTIMATES FOR VARIOUS PROPOSALS TO CHANGE THE OASDI PROGRAM

The following list of *individual* proposals to change the OASDI program would make no other change than as indicated.

Proposal	Level-cost as percent of taxable payroll
1. To pay women workers their full old-age benefit, without actuarial reduction, if they have 120 quarters of coverage-----	0.13
2. To pay benefits to blind with 6 quarters of coverage-----	.05
3. To abolish the earnings test-----	.66
4. To pay full widow's benefits to remarried widows (82½ percent of PIA)-----	negligible
5. A general benefit increase of 15 percent, with a minimum PIA of \$80----	1.40

#### COST ESTIMATE FOR PROPOSAL TO CHANGE THE OASDI, HI, AND SMI PROGRAMS

Request was received from the Legislative Reference Service, Library of Congress, for the cost of a proposal which would change the OASDI program as follows:

1. Increase the earnings base to \$10,000 in 1970 and to \$15,000 in 1972 (with benefit table being prepared so that the increase in the maximum PIA is 20% of the increase in the maximum AMW).
2. Provide a general benefit increase of 15%, with a \$70 minimum PIA.
3. The AMW to be based on earnings in the 5 highest years.
4. Widows aged 62 or over to be paid 100% of the PIA.
5. The definition of disability at age 55 and over to be modified according to the definition for the blind at age 55 and over under present law, with no requirement of prognosis of duration and with waiting period reduced to 3 months.

If there is no other change in financing, the OASDI program would have an actuarial deficit, on a long-range basis, of 1.78% of taxable payroll.

The proposal would also provide for covering all disabled beneficiaries under the HI program. This would result in an actuarial deficit, on a long-range basis, of .86% of taxable payroll for the HI program.

It is further proposed that all disabled beneficiaries would be covered under SMI and that the total cost of the SMI program be paid from general revenues. This would have a cost of approximately \$3.16 billion in FY 1971, or an increase of \$1.94 billion over present cost.

Request was received for a breakdown by level-cost (as a percentage of taxable payroll) for the various provisions in the proposal as follows:

OASDI System		Level-cost (percent)
Item:		
Actuarial balance under present law-----		+1.16
Savings due to earnings base change-----		+.62
AMW based on high-5 years-----		-1.24
Widow's benefit of 100% of PIA at age 62-----		-.42
Disability changes-----		-.34
Effect on RR and other miscellaneous items-----		-.07
15 percent benefit increase, with \$70 minimum-----		-1.50
Actual balance under proposal-----		-1.79

#### HI System

Actuarial balance under present law-----	- .77
Effect of earnings base change-----	+ .57
Cost for disabled-----	- .66
Actuarial balance under proposal-----	- .86



The cost of providing prescription drugs and certain other drugs (depending on regulations) would amount to \$1,250 to \$1,375 million per year currently for enrollees aged 65 or over and to \$340 to \$375 million per year currently for disabled beneficiaries.

Mr. BYRNES. I think it would be helpful to the committee.

When we advocate some recommendation we have to make sure that it is within the scope of what can be reasonably imposed as a burden on the taxpayers at the time.

Mr. PEPPER. I will say to the gentleman, and I know he is one of the most concerned of all about this problem, you know we generally do what we want to do in our private as well as in our public affairs.

Mr. BYRNES. I can't afford to do everything I would like to do.

Mr. PEPPER. If we have a pressing need, we generally provide some way to meet it, and I think everything I have suggested here, and they are not novel—other members share those same sentiments—is a realistic provision for millions of our fellow citizens who have very dire needs, and I know we need to know exactly what the objective is, how much it will cost, but I don't think these suggestions are prohibitive for a warmhearted and affluent America if we really want to do it.

Mr. BYRNES. Of course we can't tell that very well until we have the figures, can we?

Mr. PEPPER. I will get you the figures.

Mr. BYRNES. Thank you.

(The information referred to follows:)

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
Washington, D.C., November 7, 1969.

DEAR WILBUR: You will find enclosed a benefit table for a 25-percent benefit increase, an \$80 minimum benefit, and an earnings base of \$15,000, which during the Social Security hearings I mentioned the Social Security Administration was preparing for me as a technical service. I know this information is readily available to your committee, but I did mention I would send you a copy.

Kindest regards, and

Believe me,

Very sincerely yours,

CLAUDE PEPPER,  
Member of Congress.

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
	\$21.28	\$63.30 or less		\$89	\$80.00	\$120.00
\$21.29	21.88	64.50	\$90	90	80.70	121.10
21.89	22.28	65.60	91	92	82.00	123.00
22.29	22.68	66.70	93	94	83.40	125.10
22.69	23.08	67.80	95	96	84.80	127.20
23.09	23.44	69.00	97	97	86.30	129.50
23.45	23.76	70.20	98	99	87.80	131.70
23.77	24.20	71.50	100	101	89.40	134.10
24.21	24.60	72.60	102	102	90.80	136.20
24.61	25.00	73.80	103	104	92.30	138.50
25.01	25.48	75.10	105	106	93.90	140.90

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
\$25.49	\$25.92	\$76.30	\$107	\$107	\$95.40	\$143.10
25.93	26.40	77.50	108	109	96.90	145.40
26.41	26.94	78.70	110	113	98.40	147.60
26.95	27.46	79.90	114	118	99.90	149.90
27.47	28.00	81.10	119	122	101.40	152.10
28.01	28.68	82.30	123	127	102.90	154.40
28.69	29.25	83.60	128	132	104.50	156.80
29.26	29.68	84.70	133	136	105.90	158.90
29.69	30.36	85.90	137	141	107.40	161.10
30.37	30.92	87.20	142	146	109.00	163.50
30.93	31.36	88.40	147	150	110.50	165.80
31.37	32.00	89.50	151	155	111.90	167.90
32.01	32.60	90.80	156	160	113.50	170.30
32.61	33.20	92.00	161	164	115.00	172.50
33.21	33.88	93.20	165	169	116.50	174.80
33.89	34.50	94.40	170	174	118.00	177.00
34.51	35.00	95.60	175	178	119.50	179.30
35.01	35.80	96.80	179	183	121.00	181.50
35.81	36.40	98.00	184	188	122.50	183.80
36.41	37.08	99.30	189	193	124.20	186.30
37.09	37.60	100.50	194	197	125.70	188.60
37.61	28.20	101.60	198	202	127.00	190.50
38.21	39.12	102.90	203	207	128.70	193.10
39.13	39.68	104.10	208	211	130.20	195.30
39.69	40.33	105.20	212	216	131.50	197.30
40.34	41.12	106.50	217	221	133.20	199.80
41.13	41.76	107.70	222	225	134.70	202.10
41.77	42.44	108.90	226	230	136.20	204.30
42.45	43.20	110.10	231	235	137.70	206.60
43.21	43.76	111.40	236	239	139.30	209.00
43.77	44.44	112.60	240	244	140.80	211.20
44.45	44.88	113.70	245	249	142.20	213.30
44.89	45.60	115.00	250	253	143.80	215.70
-----	-----	116.20	254	258	145.30	218.00
-----	-----	117.30	259	263	146.70	220.10
-----	-----	118.60	264	267	148.30	222.50
-----	-----	119.80	268	272	149.80	224.70
-----	-----	121.00	273	277	151.30	227.00
-----	-----	122.20	278	281	152.80	229.20
-----	-----	123.40	282	286	154.30	231.50
-----	-----	124.70	287	291	155.90	233.90
-----	-----	125.80	292	295	157.30	236.00
-----	-----	127.10	296	300	158.90	240.00
-----	-----	128.30	301	305	160.40	244.00
-----	-----	129.40	306	309	161.80	247.20
-----	-----	130.70	310	314	163.40	251.20
-----	-----	131.90	315	319	164.90	255.20
-----	-----	133.00	320	323	166.30	258.40
-----	-----	134.30	324	328	167.90	262.40
-----	-----	135.50	329	333	169.40	266.40
-----	-----	136.80	334	337	171.00	269.60
-----	-----	137.90	338	342	172.40	273.60
-----	-----	139.10	343	347	173.90	277.60
-----	-----	140.40	348	351	175.50	280.80
-----	-----	141.50	352	356	176.90	284.80
-----	-----	142.80	357	361	178.50	288.80
-----	-----	144.00	362	365	180.00	292.00
-----	-----	145.10	366	370	181.40	296.00
-----	-----	146.40	371	375	183.00	300.00
-----	-----	147.60	376	379	184.50	303.20
-----	-----	148.90	380	384	186.20	307.20
-----	-----	150.00	385	389	187.50	311.20
-----	-----	151.20	390	393	189.00	314.40
-----	-----	152.50	394	398	190.70	318.40
-----	-----	153.60	399	403	192.00	322.40
-----	-----	154.90	404	407	193.70	325.60
-----	-----	156.00	408	412	195.00	329.60
-----	-----	157.10	413	417	196.40	333.60
-----	-----	158.20	418	421	197.80	336.80
-----	-----	159.40	422	426	199.30	340.80
-----	-----	160.50	427	431	200.70	344.80
-----	-----	161.60	432	436	202.00	348.80

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		II		III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)		(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—			At least—	But not more than—		
-----		\$162.80		\$437	\$440	\$203.50	\$352.00
-----		163.90		441	445	204.90	356.00
-----		165.00		446	450	206.30	360.00
-----		166.20		451	454	207.80	363.20
-----		167.30		455	459	209.20	367.20
-----		168.40		460	464	210.50	371.20
-----		169.50		465	468	211.90	374.40
-----		170.70		469	473	213.40	378.40
-----		171.80		474	478	214.80	382.40
-----		172.90		479	482	216.20	385.60
-----		174.10		483	487	217.70	389.60
-----		175.20		488	492	219.00	393.60
-----		176.30		493	496	220.40	396.80
-----		177.50		497	501	221.90	400.80
-----		178.60		502	506	223.30	404.80
-----		179.70		507	510	224.70	408.00
-----		180.80		511	515	226.00	412.00
-----		182.00		516	520	227.50	416.00
-----		183.10		521	524	228.90	419.20
-----		184.20		525	529	230.30	423.20
-----		185.40		530	534	231.80	427.20
-----		186.50		535	538	233.20	430.40
-----		187.60		539	543	234.50	434.40
-----		188.80		544	548	236.00	438.40
-----		189.90		549	553	237.40	442.40
-----		191.00		554	556	238.80	444.80
-----		192.00		557	560	240.00	448.00
-----		193.00		561	563	241.30	450.40
-----		194.00		564	567	242.50	453.60
-----		195.00		568	570	243.80	456.00
-----		196.00		571	574	245.00	459.20
-----		197.00		575	577	246.30	461.60
-----		198.00		578	581	247.50	464.80
-----		199.00		582	584	248.80	467.20
-----		200.00		585	588	250.00	470.40
-----		201.00		589	591	251.30	472.80
-----		202.00		592	595	252.50	476.00
-----		203.00		596	598	253.80	478.40
-----		204.00		599	602	255.00	481.60
-----		205.00		603	605	256.30	484.00
-----		206.00		606	609	257.50	487.20
-----		207.00		610	612	258.80	489.60
-----		208.00		613	616	260.00	492.80
-----		209.00		617	620	261.30	496.00
-----		210.00		621	623	262.50	498.40
-----		211.00		624	627	263.80	501.60
-----		212.00		628	630	265.00	502.80
-----		213.00		631	634	266.30	504.40
-----		214.00		635	637	267.50	505.60
-----		215.00		638	641	268.80	507.20
-----		216.00		642	644	270.00	508.40
-----		217.00		645	648	271.30	510.00
-----		218.00		649	652	272.50	511.60
-----				653	656	274.00	513.20
-----				657	659	275.00	514.40
-----				660	662	276.00	515.60
-----				663	665	277.00	516.80
-----				666	668	278.00	518.00
-----				669	671	279.00	519.20
-----				672	674	280.00	520.40
-----				675	677	281.00	521.60
-----				678	680	282.00	522.80
-----				681	683	283.00	524.00
-----				684	686	284.00	525.20
-----				687	690	285.00	526.80
-----				691	693	286.00	528.00
-----				694	696	287.00	529.20
-----				697	699	288.00	530.40
-----				700	702	289.00	531.60
-----				703	705	290.00	532.80
-----				706	708	291.00	534.00
-----				709	711	292.00	535.20



TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
			\$712	\$714	\$293.00	\$536.40
			715	717	294.00	537.60
			718	720	295.00	538.80
			721	724	296.00	540.40
			725	727	297.00	541.60
			728	730	298.00	542.80
			731	733	299.00	544.00
			734	736	300.00	545.20
			737	739	301.00	546.40
			740	742	302.00	547.60
			743	745	303.00	548.80
			746	748	304.00	550.00
			749	751	305.00	551.20
			752	754	306.00	552.40
			755	758	307.00	554.00
			759	761	308.00	555.20
			762	764	309.00	556.40
			765	767	310.00	557.60
			768	770	311.00	558.80
			771	773	312.00	560.00
			774	776	313.00	561.20
			777	779	314.00	562.40
			780	782	315.00	563.60
			783	785	316.00	564.80
			786	788	317.00	566.00
			789	792	318.00	567.60
			793	795	319.00	568.80
			796	798	320.00	570.00
			799	801	321.00	571.20
			802	804	322.00	572.40
			805	807	323.00	573.60
			808	810	324.00	574.80
			811	813	325.00	576.00
			814	816	326.00	577.20
			817	819	327.00	578.40
			820	822	328.00	579.60
			823	826	329.00	581.20
			827	829	330.00	582.40
			830	832	331.00	583.60
			833	835	332.00	584.80
			836	838	333.00	586.00
			839	841	334.00	587.20
			842	844	335.00	588.40
			845	847	336.00	589.60
			848	850	337.00	590.80
			851	853	338.00	592.00
			854	857	339.00	593.60
			858	860	340.00	594.80
			861	863	341.00	596.00
			864	866	342.00	597.20
			867	869	343.00	598.40
			870	872	344.00	599.60
			873	875	345.00	600.80
			876	878	346.00	602.00
			879	881	347.00	603.20
			882	884	348.00	604.40
			885	887	349.00	605.60
			888	891	350.00	607.20
			892	894	351.00	608.40
			895	897	352.00	609.60
			898	900	353.00	610.80
			901	903	354.00	612.00
			904	906	355.00	613.20
			907	909	356.00	614.40
			910	912	357.00	615.60
			913	915	358.00	616.80
			916	918	359.00	618.00
			919	921	360.00	619.20
			922	925	361.00	620.80
			926	928	362.00	622.00
			929	931	363.00	623.20
			932	934	364.00	624.40

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
-----			\$935	\$937	\$365.00	\$625.60
-----			938	940	366.00	626.80
-----			941	943	367.00	628.00
-----			944	946	368.00	629.20
-----			947	949	369.00	630.40
-----			950	952	370.00	631.60
-----			953	955	371.00	632.80
-----			956	959	372.00	634.40
-----			960	962	373.00	635.60
-----			963	965	374.00	636.80
-----			966	968	375.00	638.00
-----			969	971	376.00	639.20
-----			972	974	377.00	640.40
-----			975	977	378.00	641.60
-----			978	980	379.00	642.80
-----			981	983	380.00	644.00
-----			984	986	381.00	645.20
-----			987	989	382.00	646.40
-----			990	993	383.00	648.00
-----			994	996	384.00	649.20
-----			997	999	385.00	650.40
-----			1,000	1,002	386.00	651.60
-----			1,003	1,005	387.00	652.80
-----			1,006	1,008	388.00	654.00
-----			1,009	1,011	389.00	655.20
-----			1,012	1,014	390.00	656.40
-----			1,015	1,017	391.00	657.60
-----			1,018	1,020	392.00	658.80
-----			1,021	1,023	393.00	660.00
-----			1,024	1,027	394.00	661.60
-----			1,028	1,030	395.00	662.80
-----			1,031	1,033	396.00	664.00
-----			1,034	1,036	397.00	665.20
-----			1,037	1,039	398.00	666.40
-----			1,040	1,042	399.00	667.60
-----			1,043	1,045	400.00	668.80
-----			1,046	1,048	401.00	670.00
-----			1,049	1,051	402.00	671.20
-----			1,052	1,054	403.00	672.40
-----			1,055	1,057	404.00	673.60
-----			1,058	1,061	405.00	675.20
-----			1,062	1,064	406.00	676.40
-----			1,065	1,067	407.00	677.60
-----			1,068	1,070	408.00	678.80
-----			1,071	1,073	409.00	680.00
-----			1,074	1,076	410.00	681.20
-----			1,077	1,079	411.00	682.40
-----			1,080	1,082	412.00	683.60
-----			1,083	1,085	413.00	684.80
-----			1,086	1,088	414.00	686.00
-----			1,089	1,091	415.00	687.20
-----			1,092	1,095	416.00	688.80
-----			1,096	1,098	417.00	690.00
-----			1,099	1,101	418.00	691.20
-----			1,102	1,103	419.00	692.00
-----			1,104	1,107	420.00	693.60
-----			1,108	1,110	421.00	694.80
-----			1,111	1,113	422.00	696.00
-----			1,114	1,116	423.00	697.20
-----			1,117	1,119	424.00	698.40
-----			1,120	1,122	425.00	699.60
-----			1,123	1,125	426.00	700.80
-----			1,126	1,129	427.00	702.40
-----			1,130	1,132	428.00	703.60
-----			1,133	1,135	429.00	704.80
-----			1,136	1,138	430.00	706.00
-----			1,139	1,141	431.00	707.20
-----			1,142	1,144	432.00	708.40
-----			1,145	1,147	433.00	709.60
-----			1,148	1,150	434.00	710.80
-----			1,151	1,153	435.00	712.00
-----			1,154	1,156	436.00	713.20

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
-----			\$1, 157	\$1, 159	\$437. 00	\$714. 40
-----			1, 160	1, 163	438. 00	716. 00
-----			1, 164	1, 166	439. 00	717. 20
-----			1, 167	1, 169	440. 00	718. 40
-----			1, 170	1, 172	441. 00	719. 60
-----			1, 173	1, 175	442. 00	720. 80
-----			1, 176	1, 178	443. 00	722. 00
-----			1, 179	1, 181	444. 00	723. 20
-----			1, 182	1, 184	445. 00	724. 40
-----			1, 185	1, 187	446. 00	725. 60
-----			1, 188	1, 190	447. 00	726. 80
-----			1, 191	1, 193	448. 00	728. 00
-----			1, 194	1, 197	449. 00	729. 60
-----			1, 198	1, 200	450. 00	730. 80
-----			1, 201	1, 203	451. 00	732. 00
-----			1, 204	1, 206	452. 00	733. 20
-----			1, 207	1, 209	453. 00	734. 40
-----			1, 210	1, 212	454. 00	735. 60
-----			1, 213	1, 215	455. 00	736. 80
-----			1, 216	1, 218	456. 00	738. 00
-----			1, 219	1, 221	457. 00	739. 20
-----			1, 222	1, 224	458. 00	740. 40
-----			1, 225	1, 227	459. 00	741. 60
-----			1, 228	1, 231	460. 00	743. 20
-----			1, 232	1, 234	461. 00	744. 40
-----			1, 235	1, 237	462. 00	745. 60
-----			1, 238	1, 240	463. 00	746. 80
-----			1, 241	1, 243	464. 00	748. 00
-----			1, 244	1, 246	465. 00	749. 20
-----			1, 247	1, 250	466. 00	750. 80

Mr. CONABLE. I was interested in the able and literate gentleman's quotation from Robert Browning. He stopped before he got to the point where the poet said, "Trust God, see all nor be afraid."

I take it that your exhortation would go somewhat beyond the poet's.

Mr. PEPPER. Very good. I want us to keep them from being afraid. Thank you very much.

Mr. VANIK. Mr. Chairman, I would like to say to my distinguished colleague from Florida that with respect to the cost of some of his items, I would like to have him bear in mind that the administration proposal reduces the projected growth of the social security fund from the provisions already enacted into law by \$221¼ billion dollars in the next 4 years.

Mr. PEPPER. That is very interesting and very significant.

The CHAIRMAN. Any further questions?

If not, again we thank you.

Mr. PEPPER. Thank you very much, Mr. Chairman.

The CHAIRMAN. Is Mr. Bennett now in the room, Mr. Bennett, our colleague from Florida?

The Chair understands that Mr. Hillenbrand will not be here in person, but has asked that his statement be included in the record. Without objection, it will be included.

(The statement referred to follows:)



STATEMENT OF BERNARD F. HILLENBRAND, EXECUTIVE DIRECTOR, NATIONAL  
ASSOCIATION OF COUNTIES

Mr. Chairman: My name is Bernard F. Hillenbrand. I am Executive Director of the National Association of Counties, representing the 3,049 counties in America. We commend you on taking up this most urgent and high priority matter: the study of this nation's welfare system.

Counties, as welfare program administrators and fiscal partners, have noted with grave concern the web of inflexibility which presently enmeshes both the recipients and the local administrators. Increasingly, we have found our programs entangled in a morass of red tape, stacks of rules and regulations, and bureaucracy pyramided upon bureaucracy. It is no wonder that we who have been on the firing line at the local level trying to administer the present inflexible programs have appealed to the Congress and to the Executive Branch to work with us to give this nation a better welfare system.

Back in the early 1960's, we began to hear the rumblings of concern over the inadequacies of the program. The reports from the field began to spell out a crisis in welfare. Administrative problems, such as relegating social case workers to tedious hours of shuffling regulatory forms was causing the system to break down. Mounting fiscal burdens in welfare were threatening to bankrupt county government. Most significant though for the future of this country, we came to realize that the cruelest blow was being dealt to those that the welfare program was purported to help.

Confronted with breakdown in helping people in need, NACO in 1966 felt compelled to call the first National Welfare Conference. We pledged to look closely at the standards, personnel requirements, and fiscal problems in welfare. We went to our work convinced that these programs were a disastrous failure. They were not meeting the needs of the people. At the 1966 National Welfare Conference, NACO adopted positive positions that we felt would strengthen the program and aid the recipient. In our attempt to be as constructive as possible we assembled seventeen conference recommendations that we presented to the Administration.

Typical of these constructive recommendations were the following:

1. The National Association of Counties urges the creation of a new federal category of public assistance based upon the single criterion of need and with a single formula for federal financial assistance. Conversion to this new category would be optional, therefore permitting those states who desire, to continue under the existing categories.

2. The Department of Health, Education and Welfare should modify the requirement that one social worker must not handle more than sixty cases. The modification should permit public agencies to employ the "averaging principle" in case handling.

3. The rigid supervisory ratio requirements of five social workers to one case supervisor should be removed, and that flexibility in the standard be permitted.

In the interest of time, I would like to submit the full seventeen recommendations of the first NACO National Welfare Conference:

4. The National Association of Counties believes the responsibility of alleviating poverty is a principal function of county government, and therefore urges the respective states to provide counties with broad legal powers to accomplish such objectives. Additionally, we urge the respective states and the federal government to participate financially in these programs, however, that any accompanying state and federal regulation be such as to maintain the maximum degree of initiative and responsibility at the local level.

5. County government's participation in welfare programs varies from state to state. In some cases, counties exercise the predominant role and in others no role at all. Notwithstanding the extent of county government's involvement in public assistance programs since such programs have a vital impact upon other county programs, i.e., health, education, housing, etc.

The National Association of Counties urges county government to initiate planning programs designed to coordinate the counties' total effort to combat poverty. In those activities wherein the counties may not be directly involved, it is recommended that the suggested planning programs seek to establish appropriate cooperative agreements and arrangements so as to provide a continuing coordinated approach to the problem of poverty.

To assist counties in providing this type of planning, the National Association of Counties urges the Department of Housing and Urban Development to develop effective guidelines to allow 701 comprehensive social and physical planning. Additionally, the National Association of Counties urges Congress to raise the

appropriation for the 701 to provide adequate financing for such social and physical planning.

6. The National Association of Counties urges that federal aid to needy families with an unemployed parent be made a permanent part of the aid to families with dependent children program.

7. The National Association of Counties encourages the program and policies that prepare welfare clients to be self-sufficient and therefore is in favor of the principle of the unrestricted cash payment. We do recognize however, that there are individuals who are not able to properly manage their own financial affairs, and for such clients, welfare departments should be given the authority to use either third party payments, whichever is most appropriate.

The National Association of Counties further recommends that the present 5 percent ceiling on protective payments be abolished.

8. The National Association of Counties further recommends the adoption of a policy calling for the creation of state and local advisory committees to deal with welfare matters.

9. The National Association of Counties suggests that legislation which provides federal participation in costs of community work and training programs designed to conserve and develop work skills of the unemployed parent receiving AFDC should be improved to share in all staff, training, and maintenance costs and made permanent.

10. The National Association of Counties re-emphasizes its existing policy recommendations regarding foster children and urges the enactment of legislation to provide federal assistance to foster children. Additionally, such a program should be NACO's priority welfare legislative objective for the 90th Congress.

11. Whereas the present federal and state classification and qualification staffing requirements for welfare and social workers often result in the wasteful application of professional talent to subprofessional tasks, the National Association of Counties urges recommendations that the federal government foster and encourage the states to experiment in their use of sub-professional classifications.

12. The chairman is instructed to ask the National Association of Counties to call upon the Department of Health, Education and Welfare to make available at the time of publication all welfare bulletins and state letters to county elected officials and local welfare agencies so that they may be kept informed on a local level of technical and complicated welfare information.

13. The federal government should modify the requirement that all states utilizing the 1962 Services Amendments to the Social Security Act fully implement these amendments by July 1, 1967. The modification sought would require that states and counties show reasonable effort at implementing the amendments to that date.

14. Public welfare agencies should be permitted to employ the "Banking of Cases" principle for other than intensive social service aspects of case administration.

15. Federal and state audits should be clearly defined as to scope and purpose and be conducted promptly, especially in the case of new programs.

16. No report should be required by either federal or state welfare agencies unless it is essential, its purpose clearly understood, and its uses clearly defined.

17. Strong national efforts should be made to change the basic federal law and philosophy to permit local flexibility in the development of methods and approaches to money management and that federal fiscal penalties be eliminated.

Regretfully, gentlemen, in the three years since that NACO Welfare Conference, even with some administrative changes and refinements at the local level, we have found costs continuing to mount as the welfare roles soared. From 1950-1958, state and local governments' share of welfare program costs had risen from \$2.5 billion to \$9.4 billion. And yet with all of this public expenditure, the result across the nation was a program that was not doing what it was designed to do. We had spawned a third generation of welfare recipients.

Experiencing first-hand this disintegration of welfare programs—and again in a constructive spirit—in January of this year we wrote an open letter to the then newly appointed Secretary of the Department of Health, Education and Welfare, Robert Finch. In that letter, we noted that our county officials are at the cutting edge of social problems; that in a great percentage of places, they are the local administrative agency for the nation's welfare programs; that county government's stakes are high; our interest intense; and above all that we would like to be helpful.

We spelled out for the Secretary some problem areas demanding his and our immediate attention. We pointed out that together:

1. We must reappraise the objectives of welfare.



2. We must study the *structure* of welfare administration at all levels, federal, state and local and their interrelationships.

3. We must evaluate local policy and financial participation.

4. We must consider alternate approaches to the public welfare system at the federal, state and local levels.

5. We must carefully review all the community social agencies, both community by community, and their total impact statewide and nationally.

6. We must review the programs of the welfare agencies in their relationship to Office of Economic Opportunity programs and related programs in the Department of Labor, Health, Education and Welfare, and other federal agencies.

7. We must develop more basic research into the fundamental motives of the individual.

Mr. Chairman, now some ten months later, we have been pleased to see that exactly this type of massive, in-depth review has gotten underway in this country. Your Committee is participating in this historic review.

Companion bills H.R. 14173 and S. 2986 reflect the intent of the Administration to make a thorough review of the welfare system. This proposed legislation offers the most dramatic package of welfare reform proposals since the adoption of the Act in 1935.

We were heartened to note that Secretary Finch, when he appeared before your Committee last week, indicated that "the emphasis of these proposals . . . first and principally on jobs." This is precisely where the 3,049 counties place their emphasis. As recently as at our annual meeting in July 1969, we adopted a National County Platform Position, calling for

"an absolute requirement of work for those welfare recipients able to work and who meet other reasonably necessary requirements."

As administrators of welfare programs, we are likewise encouraged to see the Secretary's indication that the President's proposals seek to "develop a system which gives people the opportunity and incentive to become independent and self-supporting."

However, Mr. Chairman, and in all frankness, we have a lot of intense studying and digging to do to develop an understanding of the true role of county government in the Administration's proposal. At this point, the impact on counties is quite unclear.

Again, as recently as our summer Annual Conference, we reaffirmed our historic belief that county government must play a crucial leadership role in combatting poverty in the community, and we called upon every county in the nation to join in a massive drive to develop and implement bold, effective programs for the elimination of poverty.

Imagine our disappointment when in fact only weeks later the President outlined his new national domestic effort in welfare, but without articulating a role for the county. In fact, there was no recognition of the county crisis in welfare. We were, in the President's message, the Invisible County.

The word *county* does not appear in the President's news-making domestic speech in which he unfolded his welfare-manpower-revenue-sharing-OEO reform package.

The word *county* does not appear in the President's special welfare reform message.

The word *county* does not appear in the President's special manpower message.

The word *county* does not appear in the President's special OEO reform statement.

The word *county* appears once in the President's special message on revenue-sharing, but then only in the context of noting that "county officials" were consulted on the details of the new revenue-sharing plan.

Welfare, manpower training, poverty, revenue-sharing—programs right at the heart and soul of county government—and yet this entire level of government has gone without *specific notice*.

May I remind the Committee that to millions of needy recipients, county government is very visible. In fairness to these needy people, we are committed to a thorough analysis of the President's proposals and their impact on county government. *It is with this intent that we are committed to bring in five hundred county officials into Washington for our second National Welfare Conference on November 23-25 at the Statler-Hilton Hotel.*

There are many hard questions still unanswered in the Administration proposal. Thus at our November National Welfare Conference, we must study:

1. The *fiscal impact* on counties, especially in light of the proposed case load and benefit increases.

2. The *Administrative impact* on counties.



3. *The Manpower Training impact.*

4. *The related impacts of various programs such as food and malnutrition, and family planning.*

Again, Mr. Chairman, it is for these many reasons that we appreciate your calling these hearings. The record you build here will help us in our own crucial study. Our National Welfare Conference will produce fresh material and interpretations which we will be happy to share with your Committee and staff. It has been a pleasure for me to participate here today.

The CHAIRMAN. Our next witness is Miss Elizabeth Wickenden.

Miss Wickenden, please come forward.

You have been before the committee many times in the past, in connection with this type of hearing, but, again, for the record, will you please identify yourself?

**STATEMENT OF MISS ELIZABETH WICKENDEN, TECHNICAL CONSULTANT, NATIONAL ASSEMBLY FOR SOCIAL POLICY AND DEVELOPMENT, AND SUBMITTING STATEMENT OF PHILIP BERNSTEIN, CHAIRMAN, FORUM ON SOCIAL ISSUES AND POLICIES**

Miss WICKENDEN. My name is Elizabeth Wickenden. I am professor of urban studies at the City University of New York, and I appear today in the place of Mr. Philip Bernstein, in behalf of the Forum on Social Issues and Policies of the National Assembly for Social Policy and Development. This forum is a device that we have developed, in part to meet your wishes that like-minded groups present consolidated statements. We held a meeting last Friday, October 17, at which we developed the positions that are incorporated in this statement. However, because of time factors, we could not clear that statement, as we usually do, for signatures in advance of this meeting. Therefore, I would like to request permission of the committee not only to file Mr. Bernstein's statement, but at a later date to file the names of the organizations and individuals associating themselves with it.

The CHAIRMAN. Without objection, you have that permission.

Miss WICKENDEN. I might say at that meeting that reached the decisions which I am about to report we had over 20 national organizations represented, three Statewide organizations, and 16 local councils, so I would presume that there would be, at a minimum, 50 organizations that would eventually be endorsing the points I am about to make. I will, if you will agree, file Mr. Bernstein's statement, and I will just speak to it because I think that is more rewarding.

The CHAIRMAN. Without objection, the statement will be made a part of the record.

(The statement and list referred to follows:)

**STATEMENT OF PHILIP BERNSTEIN, CHAIRMAN, FORUM ON SOCIAL ISSUES AND POLICIES OF THE NATIONAL ASSEMBLY FOR SOCIAL POLICY AND DEVELOPMENT, INC.**

My name is Philip Bernstein and I appear before you today in my capacity as Chairman of The Forum on Social Issues and Policies of The National Assembly for Social Policy and Development. My own professional responsibility is as Executive Vice President of the Council of Jewish Federations and Welfare Funds. I am accompanied by Elizabeth Wickenden, Professor of Urban Studies of The City University of New York, who serves as technical consultant to The National Assembly in this policy area.

The Forum for which I speak is a mechanism whereby national, state and local organizations in the welfare field and individuals associated with them may speak jointly by their individual option on public policy matters of common concern. In this way we have been able to identify the broadest possible area

of agreement and present to The Committee the consolidated testimony of like-minded groups as you have requested.

Today I am presenting to you positions developed at a meeting of The Forum group held on October 17th here in Washington following an all-day session on the pending welfare proposals which was attended by approximately two hundred people from all parts of the country. The views agreed on by The Forum group at its October 17th meeting were, in turn, based on a prior statement of principles developed in June of this year with which 22 organizations and 70 individuals associated themselves. These have been reformulated on the basis of decisions reached at the meeting last Friday but in view of time factors it has not been possible prior to today's hearing to follow our usual practice of circulating this statement to organizations and individuals for their formal endorsement. We will, of course, do so immediately and I am, therefore, requesting permission to file at a subsequent date for incorporation in the hearing record the names of the organizations and individuals wishing to be associated with the following statement.

It is our assumption that The Committee will follow its usual procedure of reviewing all pending bills and alternative proposals affecting social security, welfare and related health measures with the view to developing its own conclusions and incorporating them in new measures. For this reason our recommendations are stated in terms of issues rather than specific bills. We wish, however, to commend the Nixon administration for the initiative it has taken, especially with respect to our existing welfare programs, in opening up new alternatives and thus creating the framework for a fresh look at this whole difficult subject. We particularly commend their willingness to expand the scope of federal responsibility with respect to standards of payment and coverage of benefits. The questions we raise relate to the effectiveness of the measures proposed to achieve the ends which have been put forward as their goal. I now proceed to the specific points of our common concern.

#### PREVENTION OF NEED

Those of us in the welfare field have long been committed to the principle that the first priority in public policy should be the reduction of poverty and hence the need for public assistance by the fullest development of those alternative measures that prevent need before it occurs. The best answer to poverty is a full range of job opportunities, including those in badly needed areas of public service, that offer to all persons able to engage in work outside the home challenging opportunities to use their full potential at adequate rates of compensation. The goal of the Full Employment Act of 1945 needs to be implemented by federal action and minimum wage rates need to be raised to meet at the very least the poverty level for an average family.

For those no longer able to support themselves by work a strengthened social insurance system should be the first line of defense. We have already expressed our views on the unemployment insurance system and, therefore, direct our present recommendations to the benefit levels of the Old Age, Survivors and Disability Insurance programs.

Present levels of benefits are clearly too low whether measured in terms of cost of living, financial capacity of the system (as evidenced in present surpluses), prevention of the necessity for beneficiaries to apply for supplementary assistance, or—wage levels. Only by a major up-grading of benefit payments can those no longer working be assured a fair share of the national prosperity.

We, therefore, urge a pattern of benefit increases that will:

1. Replace a reasonable share of wages for all beneficiaries with built-in provisions for future adjustments that recognize changes not only in cost of living but also in the rising level of wages.
2. Adjust the lower range of benefits to such a level that no beneficiary will have to apply for supplementary assistance except in the most unusual circumstances.
3. Provide for contributions from general revenues so that the specific costs to the system imposed by social considerations can be borne by the total community rather than by payroll taxes.

#### PATTERN OF PUBLIC ASSISTANCE

We recognize the gross inadequacies and inequities of the present patch-work of categorically limited public assistance programs in which the division of responsibility between federal, state and local governments bears unfairly on both the needy poor and the states in which they are heavily concentrated.



We, therefore, recommend that the Federal government bear the full responsibility for the financing and administration of cash assistance to the needy. Only in this way can equitable treatment of poor people, wherever they may live, be assured and the limited resources of the states and cities be freed to meet the other pressing challenges confronting them.

#### BENEFIT LEVEL

A program designed to deal with poverty on an income deficiency basis is not fulfilling its purpose if it fails to bring the income of those it serves at least to the officially designated poverty level. This is now placed at approximately \$3,500 a year for a family of four. Some of us feel that it is still unrealistically low, especially in view of the fact that the Bureau of Labor Statistics estimates that a "less than moderate" standard of living now costs \$5,915 a year for a family of four in urban areas, but all of us agree that the poverty level should be the absolute minimum for a national welfare standard.

Present levels of assistance in most parts of the country are totally inadequate and extremely inequitable as to categorical, geographical, and other factors. It would, therefore, be catastrophic in our view to adopt a plan that would either perpetuate present inequities or actually reduce grants and standards by restricting federal financial participation to the very lowest part of the payment.

#### ELIGIBILITY

We favor the elimination of all categorical and other distinctions that deprive individuals and families living below the poverty level of needed aid. We, therefore, urge the extension of federal or federally-aided assistance to all needy persons including those unable to earn enough to cover the basic needs of their families and those needy individuals who are neither parents, disabled or elderly. We do not favor the creation of new categorical distinctions by varying patterns of administration, financing, earnings incentives, and exemption of unearned income for different groups. We favor determination of eligibility for all groups by a declaration method.

#### WORK REQUIREMENTS

Available jobs and training have always been regarded as a resource in determining the eligibility for assistance of able-bodied unemployed male heads of families or women without child care responsibilities. The extremely small number and high rate of turnover for these groups on the assistance rolls attest to their eagerness to find such employment. We do not believe, therefore, that special measures are necessary to assure their taking such jobs although we believe that assistance supplementation should be available to those who cannot earn up to the applicable assistance level.

We further recognize the usefulness of rewarding work by an incentive plan which—by exempting a part of earned income from the income deficiency calculation—permits a higher total income to families with a working member.

We do not, however, believe that a mother with sole responsibility for dependent children should be required against her own best judgment to carry the double job of their care and work outside the home. The expectation that work requirements imposed on such women can substantially reduce assistance rolls without harm to their children is unrealistic and creates false expectations that can only lead to disillusionment and further demoralization of the family. While the intact family is clearly our goal, we cannot add to the handicap of children growing up without a father in the home by the double deprivation of an absent and overburdened mother.

We also believe that the relationship of assistance to labor standards must be protected by statute, especially if the policy of supplementing full-time wages is adopted. We do not wish to see one evil eliminated (i.e. discrimination against the working poor) at the cost of creating a permanent caste of exploited, underpaid workers. We, therefore, favor a provision that no job be viewed as a resource in connection with eligibility for assistance that pays less than the federal minimum wage or the prevailing wage—whichever is the higher.

#### SERVICES

We favor an expansion of child welfare services, including day care, for all those in need of such protection under required federal standards that safeguard their health and welfare. We favor, likewise, the expansion of other services that help to prevent need, encourage independence, facilitate access to other benefits, and enlarge horizons for the isolated—especially the aged and disabled.



## MEDICAL CARE

We look to the day when a comprehensive health program will assure needed medical care to all Americans. In the meantime we favor the extension of a consolidated Medicare program to all social insurance beneficiaries and the assurance of Medicaid benefits to all those who are eligible for cash assistance or who cannot carry the extra burden of meeting their health costs. In both programs there should be adequate authority to assure a high quality of care and to control the costs of providing such care.

In conclusion we wish to affirm it as our conviction that the United States cannot any longer afford to ignore the plight of those now excluded from its affluence but must in fact institute those measures that will protect all its people against the hazards of poverty. Our growing productivity makes it possible for us to bear this cost. On the other hand we recognize that public aid based on the harsh fact of poverty is the ultimate price we pay for our failure to develop other measures needed to assure an adequate income to all. Only as we institute these preventive measures can we look forward to the day when public assistance and the costs it exacts from recipient and tax payer alike will diminish and perhaps hopefully recede into the pages of history.

LIST OF ORGANIZATIONS AND INDIVIDUALS ASSOCIATING THEMSELVES WITH  
STATEMENT OF PHILIP BERNSTEIN

## ORGANIZATIONS

- National Federation of Settlements and Neighborhood Centers, New York
  - Margaret E. Barry, Executive Director
- Florence Crittenton Association of America, Inc., Chicago
  - Mary Louise Allen, Executive Director
- American Council for Nationalities Services, New York
  - J. Frank Dearness, Executive Director
- National Association for Social Workers, New York City Chapter, New York
  - John McDowell, Chairman Social Legislation Committee
- National Council of the Churches of Christ in the U.S.A. New York
  - John McDowell, Director for Social Welfare
- The Salvation Army, National Headquarters, New York
  - Lt. Commissioner John Grace, National Chief Secretary
- Council of Social Agencies, Inc., New York
  - Kenneth Storandt, Executive Director
- Day Care and Child Development Council of America, Washington
  - Lawrence C. Feldman, Executive Director
- American Foundation for the Blind, New York
  - M. R. Barnett, Executive Director
- National Board of the Young Women's Christian Association of the U.S.A. New York
  - Mrs. Robert W. Claytor, President
- Health and Welfare Council of the National Capital Area, Washington,
  - Markham Ball, Chairman, Committee on Federal Legislation
- Planned Parenthood-World Population, New York
  - Paul H. Todd, Jr., Chief Executive Officer
- International Social Service, American Branch, New York
  - Wells Klein, General Director
- American Jewish Committee, New York
  - Bertram H. Gold, Executive Vice President
- Family Service Association of America, New York
  - Clark Blackburn, General Director
- National Association for Retarded Children, New York
  - Philip Roos, Ph.D., Executive Director
- Council on Social Work Education, New York
  - Dr. Arnulf Pins, Executive Director
- Cook County, Department of Public Aid, Chicago
  - David L. Daniel, Director
- Bay Area Social Planning Council, Oakland, California
  - Paul Akana, Executive Director
- United Neighborhood Houses of New York, Inc., New York
  - Arthur C. Logan, President

Helen M. Harris, Executive Director  
 Girls Club of America, New York  
 Gertrude DonDero, National Executive Director  
 Welfare Planning Council of Lacka. County  
 William J. Garvey, President

## INDIVIDUALS

Helen M. Harris, Executive Director, United Neighborhood Houses of N.Y. Inc., New York City.  
 Arthur C. Logan, M.D., President, United Neighborhood Houses of New York, Inc., New York City.  
 David L. Daniel, Director, Cook County, Department of Public Aid, Chicago, Illinois.  
 Norman J. Taylor, Executive Director, Welfare Planning Council of Lackawanna County, Scranton, Pa.  
 Mrs. Donald W. McIntosh, Travelers Aid Ass'n, Miami, Florida.  
 Hon. Gilbert Colgate, Jr., Vice-Chairman, Internat'l Ass'n of Official Human Rights Agencies.  
 Mrs. Margaret S. Moritz, Specialist, World Fellowship Education, YWCA, National Board.  
 Jane E. Wrieden, Nat'l Consultant, Women's & Children's Services, The Salvation Army, New York, N.Y.  
 Ned Goldberg, Field Consultant, Nat'l Federation of Settlements & Neighborhood Centers, NYC.  
 Rev. G. S. Thompson, Executive Secretary, Div. of Welfare Services, Lutheran Council, USA.  
 Mrs. Robert M. Faischild Woodbury, Board Member, Nat'l Child Labor Committee Community Services of Penn., State Advisory Committee on Public Assistance of Penn.; YWCA Metropolitan Board, Philadelphia.  
 Eli E. Cohen, Exec. Secy. Nat'l Committee on Employment of Youth, NYC.  
 George J. Hecht, Chairman, American Parents Committee, Inc. New York City.  
 Brian O'Connell, Exec. Dir., Nat'l Association for Mental Health, NYC.  
 Alfred D. Bell, President, Travelers Aid Association of America, NYC.  
 Paul W. Guyler, Exec. Dir. Travelers Aid Association of America, NYC.  
 Mrs. Robert W. Claytor, President, Nat'l Board, YWCA, NYC.  
 Edith M. Lerrigo, Executive Dr., Nat'l Board, YWCA, NYC.  
 Jean M. Whittet, Assoc. Dir. Bureau of Research and Program Resources, Nat'l Board, YWCA, NYC.  
 Dorothy Gray, Nat'l Board Member, YWCA, NYC.  
 Mrs. Richard B. Persinger, Chairman, Nat'l Board, YWCA, NYC.  
 Mrs. Paul McClellan Jones, Vice President, Nat'l Board, YWCA, NYC.  
 J. F. Larberg, Senior Staff Consultant, The Nat'l Assembly for Social Policy and Development, NYC.  
 Sanford Solender, Nat'l Jewish Welfare Board, NYC.  
 Rosalind W. Harris, President, Internat'l Social Service, American Branch, NYC.  
 Burwell Dodd, M.D., Vice-Pres. Region 1, Travelers Aid Ass'n of America, NYC.  
 Ernest R. Tobin, Executive Director, United Fund of the Shenango Valley Area, United Community Services of Mercer County, Sharon, Pa.  
 Gerald M. Larsen, Associate Executive Director, United Community Services of Greater Lorain County, Inc., Lorain, Ohio.  
 H. William Millington, Executive Director, Citizens Planning Council, Winston-Salem, N.C.  
 Ronald D. Warner, Associate Director, Citizen Planning Council of Forsyth County, Inc., Winston-Salem, N.C.  
 Fern L. Chamberlain, Planning Consultant, United Community Services, Sioux Falls, S.D.  
 Sidney Hollander, Past President, National Social Welfare Assembly, Past President Council Jewish Federations and Welfare Funds.  
 John W. Ballew, Director, Public Assistance Division, Cook County Department of Public Aid, Chicago, Illinois.  
 Mariana Jessen, Board Member, Day Care and Child Development Council, Washington, D.C.  
 Galen Yoder, Seminarian, Princeton Seminary, N.J.  
 James P. Heron, Executive Director, Council of Community Services, Albany, N.Y.

- Henry H. Welch, Ph.D., Executive Director, Metropolitan Council for Community Service, Denver, Colorado.
- Robert Langer, Associate Executive Director, Health and Welfare Council of Metropolitan St. Louis, St. Louis, Mo.
- Robert H. McRae, Associate Executive Director, The Chicago Community Trust, Chicago, Ill.
- Herman D. Stein, Provost, Case Western Reserve University, Cleveland, Ohio.
- Harleigh B. Trecker, University Professor of Social Work, University of Connecticut—School of Social Work, West Hartford, Conn.
- Eveline M. Burns, Professor of Social Work, Graduate School of Social Work, New York University, New York.
- Leonard W. Mayo, Professor of Human Development, Colby College, Waterville, Maine.
- Gerald M. Holden, Lecturer, School of Social Work, University of North Carolina, Chapel Hill.
- Arthur E. Fink, Professor, School of Social Work, University of North Carolina, Chapel Hill.
- Sydney E. Bernard, Professor, The University of Michigan, School of Social Work, Ann Arbor.
- Philip Booth, Lecturer, School of Social Work, University of Michigan, Ann Arbor.
- Miss Clara Towsley, Family Service Ass'n of America, NYC.
- Mrs. Maxine Moss, Family Service Ass'n of America, NYC.
- Mr. Marcel Kovarsky, Family Service Ass'n of America, NYC.
- Mrs. G. Shunford, Family Service Ass'n of America, NYC.
- Mrs. Susan Ginsburg, Family Service Ass'n of America, NYC.
- Mrs. Freda F. Burnside, Family Service Ass'n of America, NYC.
- Mrs. Alice S. Adler, Asso. Dir., Public Relations, Family Service Association of America, NYC.
- Selma K. Atrsham, Secretary Family Service Association of America, NYC.
- Mary R. Baker, Consultant, Personal Service, Family Service Association of America, NYC.
- Mrs. Ann P. Booth, Executive Dir., Plays for Living, Family Service Association of America, NYC.
- Mrs. Francis Brisbane, Consultant, Family Advocacy, Family Service Association of America, NYC.
- Mr. W. Keith Daugherty, Assistant General Director, Family Service Association of America, NYC.
- Marian Emery, Consultant, Personnel Service, Family Service Association of America, NYC.
- Vera Gaffney, Secretary, Family Service Association of America, NYC.
- Alfred V. Taylor, Director, Public Relations, Family Service Association of America, NYC.
- Ruth Silverman, Research Assistant, Family Service Association of America, NYC.
- Anne K. Schreibman, Research Assistant, Family Service Association of America, NYC.
- Patrick V. Riley, Assistant General Director, Family Service Association of America, NYC.
- Ellen P. Manser, Specialist, Family Development, Family Service Association of America, NYC.
- Ethel Malmud, Secretary, Family Service Association of America, NYC.
- Arlene F. Latko, Statistician, Family Service Association of America, NYC.
- Marcia Kovarsky, Production Editor, Family Service Association of America, NYC.
- Mrs. Elizabeth Howe Jones, Regional Representative, Family Service Association of America, NYC.
- Jack W. Boyd, Staff Assistant, Michigan Welfare Study, field, Ill.
- Dr. Leland E. Hall, Executive Aide, State of Michigan.
- Naomi Hiatt, Executive Director, Illinois Commission on Children, Springfield, Ill.

Miss WICKENDEN. We have followed our procedure which, in turn, we believe is adapted to your procedure, and that is to make our points to issues before the committee rather than in terms of the



specific proposals pending. But at various points I will indicate where the bills that we know are here are in accord with our views and where they are not.

We do feel that the Nixon administration is to be commended for opening up the subject with new proposals that put the whole difficult problem into a new perspective. We particularly commend their willingness to broaden the scope of Federal responsibility, so the questions we raise about their proposals have to do not with their aims but with their effectiveness in achieving those aims.

The first point in our statement to which I would like to speak is probably the most important philosophical position that we have taken over the years, and that is that we do not favor large public assistance rolls. We prefer every possible measure that will prevent poverty before it occurs and thus reduce the number of people coming to public assistance. Some of these are before this committee and some are not, but, obviously, our first objective would be a full range of jobs available to all persons that would use their best capacity and pay them an adequate rate of compensation.

We feel, also, that there is need for an upgrading of the minimum wage rate. There is really absurdity and inconsistency in the Federal position because only last August the Budget Bureau instructed all departments that they were to pursue an official poverty rate but at the present minimum wage rate a worker with a four-person family working full-time at the minimum wage does not reach that level. So you do find people coming to assistance who would not be there if their rate of compensation were adequate.

However, before this committee, of course, the principal preventive of poverty, and the one that we think should have the highest priority as the first line of defense is the social insurance system. I have already spoken before this committee on unemployment insurance, so I will only speak today on the old-age and survivors insurance system.

We feel that it is of primary importance in reducing the need for public assistance, in raising a major group of our citizens who now fall within the poverty group, that the benefit level in social security be raised. We feel, and I will state, first, the basic principles, that there should be a reasonable replacement of wages for all beneficiaries with built-in provisions for future adjustments that recognize changes not only in the cost of living but also in the rising level of wages. Of course, the administration proposals do recommend automatic increases in the benefit schedule and the wage base.

Mr. Gilbert's bill goes rather beyond that in also bringing the wage record up to the highest 5 years. And there are other ways in which the system could be kept more clearly adapted to changing situations.

Our next point is that the lower range of benefits should reach such a level that no beneficiary will have to apply for supplementary assistance except in the most unusual circumstances. In other words, we feel that it is very important that the social security benefit structure be in some reasonable relationship to the public assistance benefit level.

Now, under the Nixon welfare proposals, old people would be brought to a minimum of \$90. That would mean that every elderly couple over 65 would be guaranteed a minimum of \$180 a month but it is my impression that the present average benefit for a couple is \$150.

We would prefer to see the social security benefit level go up to a point which would be sufficiently high so that people in normal circumstances would not find it necessary, as so many do now, to apply also for assistance because their income is so low.

Again, I would say that Mr. Gilbert's bill comes nearer to that objective.

Our third point is related to the earlier two and that is that there should be a general revenue contribution to the system in order that these social factors, distinctively social factors, should be carried by the general wage base while the more clearly actuarial factors are carried by the payroll tax.

Again, Mr. Gilbert's bill has that provision.

We feel that if the Nixon administration is prepared to go to \$180 for a couple, and we don't say that is too high, then that money might better go into the social security system.

Now I turn to the area of public welfare to which we have given probably more consideration in depth.

After great debate and very real review at our meeting on Friday, we feel that the only possible way in which you can get away from the inequity of our present patchwork system and the division between Federal, State, and local, is for the Federal Government to assume the full responsibility for financing and logically for administration of cash assistance to the needy. The Nixon proposal is in our view somewhat dangerous in the fact that it so divides the responsibility between the Federal Government and the States that for a large number of people on public assistance this could very well mean a severe reduction in benefits. There are now only eight States where families receive less than \$1,600 a year. There is a very real question in the minds of people like myself and others knowledgeable about the system as to whether there is any way to enforce State payments above that level in which the Federal Government itself has no share in the financing.

In other words, we really question whether it is possible to use payments for old age assistance as a sanction to maintain payments to needy families. Even, however, if this were true, that plan only benefits really the people at the very bottom. The people above the \$1,600 level would still have their benefits frozen with all the inequities that now prevail, so we feel that this can really only be met by a Federal responsibility.

Senator Harris and a group of Senators have indicated that they are preparing a bill to this end. In fact, Senator Harris so promised at the Governors' Conference, but in the meantime you do have a bill before you, the bill of Mr. Conable, H.R. 10006, which has this effect.

On benefit level, we feel that with an officially designated poverty level, it really is not conscionable that benefits for people in need, taking into account their other resources, should fall below that poverty level. Actually, many of us think the poverty level itself is way too low. The poverty level now runs around \$3,500 for a family of four and yet the Bureau of Labor Statistics says it costs \$5,900 for a family of four to live on a less than modest budget.

I don't know what that means exactly, but that is what they say.

On eligibility, we favor the elimination of all categorical distinctions that deprive individuals and families living below the poverty



level of necessary assistance. We, therefore, recommend either that Federal assistance or federally aided assistance be extended to all needy persons including those without children, those below 65, those who are not disabled, and those who cannot earn the assistance level.

We do not favor the development of new categorical distinctions. We see little purpose in replacing the rather outmoded old distinctions with a lot of new ones that would treat people differently according to which group they are in and whether they have unearned income or not. There are, of course, good logical reasons for exempting from the welfare consideration earned income in order to create an incentive to work. Unearned income, however, is in a different category and we would rather see the benefit level adequate for everyone rather than to say to him that have shall be given to him, that have not shall be taken away.

On work requirements, we are persuaded from all the evidence that people who are able to work outside the home will do so. In fact, public assistance has always, even before the 1967 amendments, treated a job as a resource in determining eligibility for assistance of able-bodied males and women who did not have family responsibilities.

A recent study, a recent review, of experience under the AFDC-UF program shows a very high rate of turnover in that program, almost twice what it is in the other program. The average stay is less than 9 months. There is a high seasonal factor and if it would be of interest, Mr. Chairman, I would ask your permission that this report on AFDC-UF be placed in the record.

The CHAIRMAN. Without objection, it will be included.

(The report referred to follows:)

## FACTS ABOUT WELFARE

### AID TO NEEDY CHILDREN OF ABLE-BODIED UNEMPLOYED PARENTS

The first publication (No. 1) of the Public Welfare Reporting Center was issued in March 1969 under the title, "Are People Treated Equitably In Our Public Welfare Programs?" The Center, a non-government service, was established in January 1969 to provide information to individuals and organizations wishing to evaluate and improve public welfare and related services, both nationally and in the states. It gathers and presents briefly and objectively factual material about welfare programs with special reference to their impact on people and upon society as a whole. Report No. 1 has now been revised, updated, and reissued as No. 1-A.

Use of the self-declaration as a method of eligibility determination was the subject of Report No. 2. Report No. 3 analyzed the provisions of social services in public welfare. This report, No. 4, reviews the experience of those states which elected to make aid available to the families of needy children in which the need is due to unemployment of parents as permitted by federal law.

The genesis, development, and present scope of this category of assistance—known as Aid to Families with Dependent Children, Unemployed-Parent segment (AFDC-UP)—are described in the body of this report, as are the satisfactory results which have been obtained where the program has been well administered.

In general, these results go far toward refuting the common misconception that unemployed people prefer not to work as long as public assistance is available to them. Experience with this program also is important background information for consideration of the President's welfare proposals.

Report No. 5, now being drafted, will be an analysis of the impact of the Nixon proposals on the states and millions of people who will be affected by them. Enabling legislation to implement the proposals was introduced in the Congress October 2nd 1969.



## SUMMARY OF FINDINGS

The factual analysis which follows shows that:

1. Most able-bodied people on public assistance will take jobs when suitable employment is available. This is clearly reflected in the more than eight years of experience in a number of states with aid given to families of children who are dependent because of an unemployed parent.

2. There is a rapid turnover in cases where eligibility results from unemployment. The average length of time these families receive assistance is less than nine months.

3. It is obvious that seasonal unemployment plays an important role, as AFDC-UP caseloads consistently decline in summer and rise again the winter.

4. In those states which have taken substantial advantage of the program, hundreds of thousands of children in need have had their out-of-work fathers remaining in the home with them and been granted at least minimum economic security until their fathers again found work. The availability of AFDC-UP to intact families removed temptations which might be present for fathers to abandon families in order to make them eligible for aid.

5. Training opportunities would appear to be of major importance to this group, as examination of the characteristics of the fathers indicates that they are young, have limited education, and have large families.

## AID TO NEEDY CHILDREN OF ABLE-BODIED UNEMPLOYED PARENTS

The debate as to whether the unemployed poor are willing to choose work rather than public assistance goes on. It is one of the important considerations in the President's recent proposals for a "new approach that will make it more attractive to go to work than to go on Welfare, and will establish a nationwide minimum payment to dependent families with children."<sup>1</sup>

In this context it appears useful to look at the experience of the states with the program of aid to needy children of the unemployed, the program known as Aid to Families with Dependent Children—Unemployed-Parent Segment (AFDC-UP). Moreover, for the states with AFDC-UP, the number of such cases provides useful information as to potentially employable AFDC fathers to be considered for work and training programs (Table 1).

*Development of AFDC-UP program*

Prior to 1961, federal law required that no family could be eligible for AFDC unless at least one parent was out of the home or seriously incapacitated. This meant that thousands of needy children were disqualified, and led to the possibility of unknown numbers of unemployed fathers leaving their families rather than see them go without daily necessities. Effective May 1961 (under Public Law 87-31) Congress made it possible for states which chose to do so to give aid to dependent children (ADC)<sup>2</sup> to intact families when need arose because of unemployment of a parent. This temporary legislation was extended through June 1967 by the public welfare amendments of 1962 (Public Law 87-543),<sup>3</sup> extended for another year in 1967 (Public Law 90-36), and finally made permanent in the 1967 public welfare amendments to the Social Security Act (Public Law 90-248, Sec. 407).

The 1967 amendments provided for substantial policy changes,<sup>4</sup> including a national definition of unemployment.<sup>5</sup> Under this new definition a father must have had six or more quarters of work in any 13 calendar-quarter period ending within one year prior to his application for assistance, or have received or been qualified to receive unemployment compensation within one year prior to application for assistance. He must be currently registered with the public

<sup>1</sup> Message to the Congress of the United States, Aug. 11, 1969, p. 1.

<sup>2</sup> At that time the program was still called aid to dependent children (ADC) rather than aid to families with dependent children (AFDC), one of the changes made in the 1962 amendments to the Social Security Act.

<sup>3</sup> For additional historical material, see Landsdale, Robert T., "The Unemployed Segment of AFDC: Category Within a Category," *Social Work*, January 1967, vol. 12, No. 1, pp. 40-50.

<sup>4</sup> The Federal Register for Jan. 24, 1969 (pp. 1146-1147), superseding the earlier policy material contained in the Handbook of Public Assistance, pt. IV, 3424, gives the details of the Federal policies to implement the 1967 amendments.

<sup>5</sup> Under the published regulations for implementation of the 1967 amendments, an unemployed father "(i) shall include any father who is employed less than 30 hours a week, or less than  $\frac{3}{4}$  of the number of hours considered by the industry to be full time for the job, whichever is less, an (ii) may include any father who is employed less than 35 hours a week, or less than the number of hours considered by the industry to be full time for the job, whichever is less."

employment offices in the state. He must also have been unemployed for 30 days or more and have not refused without good cause a bona fide offer of work or training within 30 days. Any family receiving an unemployment compensation payment for any week would not be eligible for assistance with federal participation for that week.

#### *States' acceptance of AFDC-UP programs*

Although the 1967 amendments made AFDC for families of children of unemployed fathers (formerly unemployed parents) permanent, they still left inclusion of these families optional with the states. As is often true of such optional legislation, the states have been slow to take advantage of this provision. By the end of 1962 fifteen states had included the families of unemployed fathers. Since then ten more have done so, making a present total of only 25. New Jersey became the 25th state when it implemented the program in January 1969. The other half of the states are not receiving federal funds for this purpose, and families of unemployed fathers who are in need remain the responsibility of state and locally financed (and frequently seriously inadequate) general assistance programs.

The states adopting the program have generally been in the northern half of the United States and have been non-rural in their orientation. They have, however, varied widely in amount expended per inhabitant for AFDC. They also differ greatly in the proportion of the children under 18 years of age found eligible for AFDC. The states taking advantage of the provisions of the law in March 1969 are listed in Table 2.<sup>6</sup>

It is interesting to note that with few exceptions the payment per AFDC-UP recipient has been lower than the amount per recipient for the total AFDC caseload.

The regulations made effective as of February 1, 1969, did not require states which already had an AFDC-UP program in operation to provide for the addition of any new cases because of the provisions of the 1967 amendments until July 1, 1969. As a result, the available data reflect experience under the differing state definitions and eligibility requirements permissible prior to the effective date of the 1967 amendments. These definitions varied from fairly liberal to quite restrictive provisions in the various states, but all of them had to meet federal requirements as being reasonable and equitable. In the current period of low general unemployment but continued increase in the total aid to families with dependent children caseload, the AFDC-UP segment has been remaining fairly constant. The proportion of unemployed fathers in the total AFDC caseload as reported in the 1967 survey of AFDC was 5.1 per cent.<sup>7</sup>

The impact in the states which have adopted AFDC-UP has been much greater, of course, than for the program nationwide, but the significance of the AFDC-UP segment of the caseload in those states has decreased as other factors have led to a sharp rise in total AFDC caseloads:

March	Number of States	Percentage of total AFDC recipients in unemployed-parent segment in States with a UP program
1962.....	15	21.2
1963.....	15	20.7
1964.....	16	18.7
1965.....	18	17.4
1966.....	20	14.2
1967.....	22	9.1
1968.....	21	9.0
1969.....	25	7.1

<sup>6</sup> Arizona and North Carolina adopted and later discontinued the program.

<sup>7</sup> "Preliminary Report of Findings—1967 AFDC Study," National Center for Social Statistics, Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare, October 1968, NCSS Report AFDC-1 (67), p. 2 and table 7.



That the AFDC-UP program continues to be a significant factor, however, is reflected in the fact that more than one-third of the total increase in recipients of aid to families with dependent children in January 1968 was due to increases in the unemployed-parent segment of the program.<sup>8</sup> This occurred despite the fact that states, with their varying definitions, have ranged widely in the use of this eligibility factor; for example, from negligible proportions in Oklahoma to extensive use in West Virginia.

#### *Analysis of overall experience*

The size of the AFDC-UP caseload is closely related to trends in seasonal employment.<sup>9</sup> Table 1 shows these seasonal trends. Using the third month in each quarter, it is seen that the largest number was reported for March of each year with a downward trend reflected in the June data and the low for the year in September. Then the caseload has risen during the winter months with higher caseloads in December. In fact, the program can be described as temporary assistance in most cases to tide a family over a relatively short period of unemployment.

In November-December 1961, over 90 per cent of the cases had come on the program from regular full-time employment. More than one-fourth of the fathers had been without such employment less than three months, and well over half of all fathers had been without regular full-time employment for less than a year.<sup>10</sup> In a large but varying proportion of the cases, when the state had a substantial general assistance program the unemployed parent cases would formerly have been aided by general assistance payments without federal matching funds. In fact, states with large general assistance programs were those most likely to adopt AFDC-UP, clearly to their financial advantage. This is exemplified by the recent experience of New Jersey in which the general assistance caseload dropped from 13,500 in December 1968 to 7,700 in March 1969.

Much of significance can be learned from examination of the reasons for rejection of applications for AFDC-UP and of reasons assistance has been discontinued (Tables 3 and 4). Most of the closings in AFDC-UP, for which the reasons are specified, have been due to the simple fact that parents obtained jobs (Table 4). Willingness to work is also indicated by the fact that the parents seldom refused what the agency deemed to be suitable employment for them. Numbers discontinued for this reason were very small. Neither did they turn down opportunities for work on community work or training programs or for vocational training. It is significant to note, too, that these reasons accounted for a very small proportion of the rejections of applications (Table 3).

The data on closings also reflect the seasonal nature of parental unemployment, as a large number returned to jobs with former employers. Although they were required by law to be registered with the public employment office,<sup>11</sup> this agency placed few of them. Rather they used relatives, friends, and a variety of other sources to find work. Often the public welfare agency actively sought jobs for them, some agencies even assigning staff to this important responsibility. That many were accepted by new employers and took new jobs offered is also reflected in the reasons for closing (Table 4).

It is significant to note that not only has the public employment service played a minor role in returning these people to work, but also that few of them apparently have profited from the Manpower and Development program.

Training opportunities would appear to be of major importance to the group, as examination of the characteristics of the fathers indicates that they are young, have limited education, and have large families. In November-December 1961, over half of the more than 45,000 unemployed fathers then in the program were 25 to 39 years of age.<sup>12</sup> This young age was also reflected in the ages of the chil-

<sup>8</sup> The total increase in AFDC recipients from December 1967 to January 1968 was 126,000. The increase for the UP segment was 48,400.

<sup>9</sup> Lynch, John M., "Effect of Seasonal Variation in Employment Opportunities on Unemployed-Parent Segment of Aid to Families with Dependent Children," *Welfare in Review*, May 1964, vol. 2, No. 5, p. 10.

<sup>10</sup> "Characteristics of Families Receiving Aid to Families with Dependent Children, November-December 1961," Bureau of Family Services, Welfare Administration, U.S. Department of Health, Education, and Welfare, April 1963, table 22.

<sup>11</sup> Social Security Act, Title IV, Sec. 407.

<sup>12</sup> "Characteristics of Families Receiving Aid to Families with Dependent Children, November-December 1961," Bureau of Family Services, Welfare Administration, U.S. Department of Health, Education, and Welfare, April 1963, table 20.



dren. The median age of all children in AFDC cases in 1961 was 8.6 years but only 6.4 years for the unemployed parent cases.<sup>13</sup>

The families are also larger not only because two parents are normally in the home as contrasted with the non-AFDC-UP segment of the caseload, but also because there are more children per family (Table 5).

On the average, the fathers have been school dropouts. Again using data for November-December 1961, it was found that well over half of them had only elementary education and about one in ten reported less than five years of schooling.<sup>14</sup>

While the federal agency has done relatively little analysis of the AFDC-UP segment separately from the total AFDC caseload, a significant study was made in Denver in 1967. The finding that those parents "who become self-supporting again have better schooling, greater job skill, and more work experience and are more competent in handling personal affairs and income than those who remain dependent," regardless of race or ethnic background, was not surprising.<sup>15</sup> More important was the related finding from a series of samples that "cases closed by employment are less likely to reopen for service under AFDC or to transfer to some other program of public support than those closed for other reasons."<sup>16 17</sup> Also, recent studies indicate an inverse relationship between length of time on AFDC and employability.<sup>18</sup>

A high rate of turnover has characterized the AFDC-UP segment of the caseload (Table 6), reflecting the fact that it has been a rapidly changing caseload. Cases have been opened and other cases closed as families were tided over periods of crisis due to loss of jobs. The much higher closing than opening rate for 1968 is especially significant, reflecting lowered unemployment generally. The non-UP segment of AFDC also has an important degree of movement, but because of the different reasons for opening cases a substantially lower turnover rate than for the AFDC-UP cases. The rates for the two segment how clearly why the average time on AFDC for all cases is more than twice as long as the less than nine months average for AFDC-UP.

Both the seasonal characteristics of AFDC-UP and the high turnover of cases within the year are clearly seen in the data on cases authorized and cases discontinued for June and December of 1967 and 1968 (Table 7).

This brief review of the experience of the states in use of the AFDC-UP program as revealed in national statistics is far from exhaustive. Facts included here, however, indicate the importance of giving careful consideration to experience with this program as we proceed with the replanning of public welfare services.

<sup>13</sup> Mugge, Robert H., "Age Differentials for AFDC Children by Status of Father," *Welfare in Review*, October 1966, vol. 4, No. 8, pp. 10-11.

<sup>14</sup> *Op. Cit.*, table 21.

<sup>15</sup> Morse, Harold A., "Measuring the Potential of AFDC Families for Economic Independence," *Welfare in Review*, November-December 1968, vol. 6, No. 6, p. 13.

<sup>16</sup> *Ibid.*, p. 14.

<sup>17</sup> A number of states have also made studies of their state data in this area.

<sup>18</sup> See Warren, Martin and Berkowitz, Sheldon, "The Employability of AFDC Mothers and Fathers," *Welfare in Review*, July-August, 1969, pp. 1-7. The authors are concerned to a major extent with research planning.

TABLE 1.—AID TO FAMILIES WITH DEPENDENT CHILDREN: UNEMPLOYED-PARENT SEGMENT, MAY 1961 TO MARCH 1969

Month	Number of States	Number of families	Number of recipients <sup>1</sup>	
			Total	Children
1961				
May.....	4	15,500	72,300	56,900
June.....	6	23,500	112,000	88,800
September.....	13	38,100	179,000	141,000
December.....	15	48,200	222,000	174,000
1962				
March.....	15	61,700	283,000	221,000
June.....	15	49,300	228,000	179,000
September.....	14	44,000	205,000	161,000
December.....	14	51,800	289,000	190,000
1963				
March.....	15	63,100	353,000	231,000
June.....	14	48,100	270,000	179,000
September.....	16	44,500	253,000	168,000
December.....	15	51,700	295,000	195,000
1964				
March.....	16	70,500	401,000	268,000
June.....	18	61,300	355,000	238,000
September.....	18	54,300	314,000	210,000
December.....	18	64,200	372,000	250,000
1965				
March.....	18	80,200	463,000	311,000
June.....	18	59,000	345,000	232,000
September.....	18	53,100	310,000	209,000
December.....	19	58,200	343,000	233,000
1966				
March.....	20	68,000	399,000	271,000
June.....	21	52,400	309,000	213,000
September.....	22	48,200	284,000	195,000
December.....	22	55,200	326,000	223,000
1967				
March.....	21	69,400	404,000	274,000
June.....	22	63,900	368,000	250,000
September.....	21	59,000	335,000	226,000
December.....	21	65,400	371,000	250,000
1968				
March.....	21	79,500	445,000	298,000
June.....	21	62,600	348,000	234,000
September.....	23	56,300	308,000	208,000
December.....	24	61,900	336,000	226,000
1969				
March.....	25	80,700	446,000	290,000

<sup>1</sup> Includes as recipients the children and 1 or both parents or 1 caretaker relative other than a parent in families in which the requirements of such adults were considered in determining the amount of assistance.

Source: "Public Assistance—Annual Statistical Data, Calendar Year 1966," Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare, table 5; "Unemployed-Parent Segment of Aid to Families with Dependent Children, December 1967," Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare, Mar. 6, 1968, table 1; "Unemployed-Parent Segment of Aid to Families with Dependent Children, December 1968," National Center for Social Statistics, SRS, HEW, NCSS Report A-3 (December 1968), table 1; and "Public Assistance Statistics March 1969," National Center for Social Statistics, SRS, HEW, NCSS Report A-2 (March 1969), table 8.

TABLE 2.—SELECTED DATA FOR STATES WITH AFDC-UP

States with AFDC-UP, March 1969	Amount expended per inhabitant for AFDC, year ended June 30, 1968	Children receiving AFDC per 1,000 population under age 18, December 1968 <sup>1</sup>	Average AFDC-UP payment per recipient, March 1969	Average AFDC payment per recipient, March 1969 <sup>2</sup>
Total.....	\$12.40	63	\$42.20	\$42.90
California.....	22.00	95	42.15	48.25
Colorado.....	11.80	57	41.00	39.50
Connecticut.....	14.40	53	57.20	62.50
Delaware.....	12.10	66	29.60	32.90
Hawaii.....	13.30	51	45.90	47.60
Illinois.....	13.10	63	45.80	48.25
Kansas.....	9.05	43	43.80	46.75
Maine.....	7.90	54	31.40	30.00
Maryland.....	13.25	64	36.60	39.95
Massachusetts.....	16.85	68	55.45	63.80
Michigan.....	11.00	46	42.75	48.05
Missouri.....	7.30	59	28.70	26.75
Nebraska.....	7.20	39	33.05	37.60
New Jersey.....	13.70	54	49.95	65.30
New York.....	32.45	117	<sup>3</sup> 47.10	<sup>3</sup> 62.35
Ohio.....	8.70	47	38.35	39.60
Oklahoma.....	14.90	79	32.60	33.95
Oregon.....	9.75	49	37.75	41.50
Pennsylvania.....	11.45	63	36.30	48.05
Rhode Island.....	16.55	80	38.90	50.45
Utah.....	11.45	47	32.25	37.80
Vermont.....	10.45	51	47.50	49.10
Washington.....	11.55	46	44.55	48.45
West Virginia.....	15.95	101	26.40	26.00
Wisconsin.....	7.55	37	49.75	54.85

<sup>1</sup> Based on civilian population as of Jan. 1, 1969, estimated by Bureau of the Census.

<sup>2</sup> Includes data on unemployed parent segment.

<sup>3</sup> Excludes a special grant of \$25 per person issued quarterly in New York City.

Source: "Trend Report—Graphic Presentation of Public Assistance and Related Data, 1968," National Center for Social Statistics, Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare, NCSS Report A-4 (68), p. 25; "Public Assistance Statistics, March 1969," National Center for Social Statistics, Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare, NCSS Report A-2 (3/69), tables 7 and 8; and special chart on recipient rates.

TABLE 3.—AID TO FAMILIES WITH DEPENDENT CHILDREN, UNEMPLOYED-PARENT SEGMENT: APPLICATIONS DENIED OR OTHERWISE DISPOSED OF BY REASON FOR DISPOSITION, JUNE AND DECEMBER 1967 AND 1968

Reason for disposition	December 1968	June 1968	December 1967	June 1967
Total UP cases disposed of <sup>1</sup> .....	2,600	2,200	1,900	2,900
State's definition of unemployment not met.....	440	330	350	380
Refused to accept suitable employment.....	72	99	106	114
Refused to accept work on community work or training program.....	10	8	10	47
Refused to accept vocational retraining.....	9	1	0	0
Residence requirement.....	27	16	44	56
Income exceeded determined need.....	500	410	340	580
Resources other than income exceeded State's standard.....	89	45	75	97
Other.....	1,500	1,300	950	1,600

<sup>1</sup> Data not reported by all States.

Source: "Unemployed-Parent Segment of Aid to Families with Dependent Children, June and December 1968," National Center for Social Statistics, Social and Rehabilitation Service, U.S. Department of Health, Education and Welfare, NCSS Reports A-3 (June 1968) and A-3 (December 1968) and HEW releases with same title for June and December 1967, table 3.



TABLE 4.—AID TO FAMILIES WITH DEPENDENT CHILDREN, UNEMPLOYED-PARENT SEGMENT: CASES DISCONTINUED FOR ASSISTANCE BY REASON FOR CLOSING, JUNE AND DECEMBER, 1967 AND 1968

Reason for closing	December 1968	June 1968	December 1967	June 1967
Total UP cases closed <sup>1</sup> .....	5,400	9,900	4,100	9,500
Parent returned to employment:				
Returned to former employment.....	680	2,100	1,100	2,000
Employment security referral.....	180	330	110	280
Other source of employment offer.....	1,900	3,900	1,500	3,500
Parent refused to accept suitable employment.....	131	173	62	173
Refused to accept work on community work or training program.....	7	160	56	370
Refused to accept vocational retraining.....	7	22	8	22
Received subsistence grant under manpower and development program.....	4	10	12	43
No longer an eligible child in home.....	45	58	54	77
Other reasons.....	2,400	3,200	1,200	3,000

<sup>1</sup> Data not reported by all States.

Source: "Unemployed-Parent Segment of Aid to Families with Dependent Children, June and December, 1968," National Center for Social Statistics, Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare. NCSS Reports A-3 (June 1968) and A-3 (December 1968) and HEW releases with same title for June and December 1967, table 5.

TABLE 5.—AID TO FAMILIES WITH DEPENDENT CHILDREN: NUMBER OF PERSONS IN UNEMPLOYED PARENT AND OTHER THAN UNEMPLOYED-PARENT CASES, DECEMBER 1967

	Number	Number per family
Unemployed-parent cases:		
Families.....	65,400	-----
Children.....	250,000	3.82
Recipients.....	371,000	5.67
Other than unemployed-parent cases:		
Families.....	1,232,000	-----
Children.....	3,736,000	3.03
Recipients.....	4,938,000	4.00

Source: "Federally Aided Public Assistance Programs: Program Facts," Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare, April 1968, AFDC-1.

TABLE 6.—AID TO FAMILIES WITH DEPENDENT CHILDREN: COMPARISON OF ACCEPTANCE, OPENINGS, AND CLOSINGS RATES FOR UP SEGMENT AND NON-UP SEGMENT, CALENDAR YEARS 1961-68

Calendar year	Number of States as of December	UP segment			Non-UP segment		
		Acceptance rate	Openings rate	Closings rate	Acceptance rate	Openings rate	Closings rate
1961.....	15	79.7	327.7	122.7	57.5	45.9	38.0
1962.....	14	73.5	159.4	142.9	56.8	42.1	40.8
1963.....	15	71.0	155.6	154.0	55.3	42.6	40.3
1964.....	18	70.7	170.3	154.9	59.7	46.1	40.8
1965.....	19	69.3	159.0	158.0	61.0	45.4	41.5
1966.....	22	72.7	143.4	141.5	62.5	48.8	41.6
1967.....	21	72.7	147.7	139.6	69.3	53.3	38.6
1968.....	24	60.8	119.7	163.6	74.3	54.1	36.1

Note: Acceptance rate is percentage of applications received which were approved, openings rate is approved applications as percentage of average monthly number of families in caseload, and closings rate is cases closed as percentage of average monthly number of families in caseload.

Source: "Trend Report—Graphic Presentation of Public Assistance and Related Data, 1968," National Center for Social Statistics, Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare, NCSS Report A-4 (1968), p. 55.

TABLE 7.—AID TO FAMILIES WITH DEPENDENT CHILDREN, UNEMPLOYED-PARENT SEGMENT: CASES AUTHORIZED AND CASES CLOSED

	Cases authorized	Cases closed
December 1968.....	10,800	5,400
June 1968.....	5,900	9,900
December 1967.....	7,700	4,100
June 1967.....	6,100	9,500

Source: "Unemployed-Parent Segment of Aid to Families with Dependent Children, June and December 1968, National Center for Social Statistics, Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare, NCSS Reports A-3 (June 1968) and A-3 (December 1968) and HEW releases with same title for June and December 1967, tables 4 and 5.

MISS WICKENDEN. I might say for your information that this was done by Dr. Ellen Winston, the former welfare administrator.

We do not feel that any new kinds of requirements are necessary to assure that people will take jobs when they are offered. We think that increasing the incentive for them to do so with a higher deduction of earned income is a good way to encourage that, but we do not think that a mother with sole responsibility for children should be asked against her own best judgment to carry the double job of working outside the home and still carry unaided the responsibility for her children.

Our experience shows that this is really an unrealistic expectation, that it leads to disillusion on the part of the people who think it will bring down the assistance rolls, and that it creates a great hardship for children who are already deprived of a father.

Of course, all of us in the welfare business hope that we will come to the day when these families will be intact and the father will be there, but we do not see that we serve the purpose of the future well by depriving these children of their mother's care as well as of their father's.

Now, we have in here a recommendation which is new for us and really in part derives from the new administration proposal, and that is that if people are going to be, on the one hand, required to take a suitable job, as it states in Mr. Byrnés' bill, and bona fide job offers and, at the same time, are going to have their wages supplemented up to the assistance standard plus the work incentives standard which brings it that much higher, that there really must be some protection on the wage levels at which that requirement is made. We have a very bad history under the English poor law—of course, that was some time back—but there was a time when in the early 19th century, 27 percent of the population of England and Wales was under the poor law because of the fact that this was supplementing extremely low wages. Now, we have other protections but we feel that these should be built into the statute by law and our recommendation is that no one should be required to take a job under these provisions which is less than the Federal minimum wage or the prevailing wage.

We come now to the section on services where we urge an expansion of child welfare services, including day care and other services that help to prevent need, encourage independence, facilitate access to other benefits, a very important role for service, and enlarge horizons for the isolated, especially the aged and disabled. I think Mr. Burke has a bill which covers the child welfare aspects of that.

We also have a statement on medical care reporting it is our hope that we would eventually move toward a comprehensive health pro-

gram for all persons. But in the meantime we do favor a consolidated medicare program, as incorporated in the Gilbert bill, so that parts A and B would both be covered by insurance and the assurance of medicaid benefits to all those who are eligible for cash assistance or who would fall within the cash assistance group if they did not have such aid. We feel that the committee, the Congress, should recognize the pressures that are bearing now on costs and should include the authority to the Social Security Administration and to HEW otherwise to both protect the quality of care and to control its costs.

We have a final section here, as Mr. Bernstein states, on costs. We feel, and I could elaborate on this, that the costs of this program are not at all beyond the capacity of the United States, but we also wish to reiterate in closing that there is one solid way to reduce public assistance costs and that is to prevent the kind of poverty and the kind of need that bring people to public assistance by measures outside of public assistance itself.

That completes my statement.

The CHAIRMAN. We appreciate very much, Miss Wickenden, your coming to the committee and bringing to us the statement of the National Assembly for Social Policy and Development.

Any questions of Miss Wickenden?

We thank you very much, Miss Wickenden.

MISS WICKENDEN. Thank you.

(The following telegram was received by the committee:)

CLEVELAND, OHIO, November 4, 1969.

JOHN M. MARTIN, Jr.,  
Chief Counsel, Committee on Ways and Means,  
Washington, D.C.

Regret unable testify tomorrow morning and wish to associate myself with the testimony on October 22 of Philip Bernstein, chairman, Forum on Social Issues and Policies of the National Assembly for Social Policy and Development.

HERMAN D. STEIN,  
Case Western Reserve University.

The CHAIRMAN. The Chair observes our colleague from Florida, Mr. Bennett, is now in the chamber.

We appreciate having you with us today, Mr. Bennett, and you are recognized, sir.

## STATEMENT OF HON. CHARLES E. BENNETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. BENNETT. Thank you very much, Mr. Chairman.

I certainly appreciate this opportunity to appear before the committee, hearing testimony on amendments to the Social Security Act and welfare legislative proposals. I congratulate the Chairman and the Members for holding these hearings, which I believe to be important to the National interest, affecting millions of Americans.

I am the sponsor or cosponsor of five bills which are pending in the committee and I would like to have these provisions favorably considered and included in any social security legislation to be reported from the committee.

I also support a 15 percent across-the-board increase in social security payments and an increase in the income limitations, if possible. I believe this is not only necessary but must be considered one of our



national priorities. There is no question that the recent cost of living increases have hurt those Americans living on fixed incomes, particularly retirees, more than any others. I urge the committee to approve an increase of 15 percent in social security payments, as I mentioned.

The bills I am sponsoring for inclusion in the new Social Security Act are:

H.R. 111, amending the medicare section to provide for certain in-house medical treatment performed by supervised medical personnel.

H.R. 964, amending title II to provide that the remarriage of a widower or parent, or the marriage of a child, shall not prevent the payment of benefits if the marriage is annulled.

H.R. 12473, amending the medicare section to provide coverage for teachers and other public employees in certain States who are not covered by social security. I am a cosponsor of this bill with U.S. Representative James G. Corman of California.

H.R. 13081, a bill to encourage employment among the needy and to provide job opportunities.

H.R. 13082, a bill to permit an individual who is eligible for civil service retirement to waive his right to have military service after 1956 included in the computation of any benefits to which he is or may become entitled under title II, and to include such service instead in the computation of such annuity upon that election by him. This bill has the strong support of many of the service organizations, including the Fleet Reserve Association, which will present a detailed statement in support of the bill during the hearings.

I would like to make further comment on three of these bills I have introduced.

H.R. 111 was introduced by me at the suggestion of doctors in my hometown of Jacksonville, Fla. It would provide for in-house medical treatment by supervised technicians and nurses to medicare recipients. This type of service is not included under medicare now. As a result, many elderly and frail people are required to leave their sickbeds to visit their doctor's office when, in fact, a home visit by a qualified medical technician would be completely adequate. As a group of doctors wrote me about required office visits this "many times is detrimental to their health. . . ." A change in the law would also "mean great savings . . . as it would eliminate the cost of an ambulance fee for each patient and would contribute greatly to the welfare of these elderly people both financially and to their well-being." This is what the doctors wrote me. I believe this is a necessary and worthwhile amendment to the Medicare Act.

H.R. 964 is a bill which I first introduced in the 89th Congress, and also in the 90th Congress. The bill would provide for the uniform reinstatement of benefits to a married widower or parent, or a married child, where the later marriage is annulled.

The need for legislation was brought to my attention by a prominent attorney in Jacksonville, Fla., Nathan Bedell, and I have testified before the committee in support of it before. The bill would correct inequity in the law. It arises from the Social Security Administration's reliance upon State marriage laws in determining if a marriage that has been annulled will defeat the claimant's right to reinstatement of social security benefits. Because of the great diversity of State laws pertaining to the status of a marriage that has been annulled

the same facts will permit reinstatement of benefits in some cases and deny them in others. I believe this is certainly not what the Congress intended when it provided these benefits in the first place.

The Social Security Amendments Act of 1965 amended the law to permit payment to a widow, or a divorced woman not currently married, of benefits based on a former husband's earnings, regardless of any intervening marriage or of the method by which termination of the marriage occurred. While overcoming the problem insofar as reinstatement of widow's benefits goes, the amendment failed to provide for uniform treatment of widowers, parents or children whose entitlement to benefits ended with a marriage that has since been annulled. The Social Security Administration has recommended that the Congress correct this situation in its report on H.R. 268 of the 89th Congress, and a copy of which we have here, and in the hope that this could be accomplished in this Congress I again introduced the bill, H.R. 964, as now before the committee, would restore benefits for widowers, parents and children, as recommended by the administration.

Public Law 87-675 eliminated this confusion as to claimants for reinstatements of veterans pension benefits; and Congress having made this correction in the treatment of claims for reinstatement of veterans pension benefits, it should now act to end the confusion that prevails in similar claims for reinstatement of social security benefits, and the denial of those benefits under certain circumstances where it certainly should not occur. The change in the law is needed for fairness and uniform treatment under the Social Security Act. In the 89th Congress, the Department of Health, Education, and Welfare, in a letter from the Under Secretary Wilbur J. Cohen said in its favorable report to the chairman on this legislation I have introduced: "Since the law still does not provide uniform treatment to widowers, parents, and children whose entitlement to benefits has ended with a marriage that was annulled, we would see no objection to the enactment." The legislation before the committee conforms to that report. And I am hopeful it will be enacted into law.

Finally, H.R. 13081 would encourage employment among the needy and provide job opportunities. Most people would prefer doing constructive work to being on relief and my bill helps in two ways. First, it provides that any individual receiving welfare assistance, financed in part with Federal funds under the Social Security Act shall not, because of earned income, have his welfare payments reduced by a greater percentage than \$1 reduction for every \$2 earned. Secondly, the bill authorizes the Secretary of Labor to create a register of individuals who have not been successful in finding employment. City and State governments and Federal departments and agencies would have the right to petition the Secretary of Labor for manpower from this pool. The Federal Government would pay the minimum hourly wage for the work done.

Mr. Chairman, I believe all of these legislative proposals are constructive and should be included in any social security bill reported. I am hopeful that this may be the case.

Thank you for letting me make this presentation.

The CHAIRMAN. We are pleased that you came to us with your statement this morning, Mr. Bennett, and I am sure the committee



will want to consider the five proposals that you suggested we look into.

Any questions?

Mr. GIBBONS. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. GIBBONS. I want to welcome my colleague, Mr. Bennett, to this committee, and I find his testimony like most of the things that he usually does, it is sound and constructive and I want to commend you, Mr. Bennett, for your proposals.

Mr. BENNETT. Thank you.

Mr. GIBBONS. I know that there are many hardships caused by the conflict in the State marriage laws, and I think you have hit upon something that really needs looking into.

Mr. BENNETT. This is a technical thing. I think if it comes before your staff they are undoubtedly going to wish to correct this because we have already done this in the veterans legislation. There is no reason to have a separate treatment.

Mr. GIBBONS. I have seen in my mail some very unusual circumstances that came about because of State marriage laws, and inequities that came about the payment of benefits to widows who were bona fide widows. I think you made some very fine suggestions here.

Mr. BENNETT. Thank you very much.

The CHAIRMAN. Any further questions?

Again we thank you, Mr. Bennett, for coming to the committee.

Mr. BENNETT. Thank you all very much.

The CHAIRMAN. Our next witness today is the Honorable Bill Chappell from the State of Florida. We appreciate your coming here today and you may proceed, sir.

#### **STATEMENT OF HON. BILL CHAPPELL, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA**

Mr. CHAPPELL. Mr. Chairman, I appear before you today on behalf of a huge segment of our people—some 25 million people who are currently receiving social security benefits. In my fourth district in Florida, we have over 150,000 beneficiaries.

These are the people who are the real victims of inflation—people with fixed incomes. I know that this committee is acutely conscious of their dilemma. Most of the retired workers spent their working life earning a sound dollar—and making a sound dollar contribution to the social security trust fund. Today's dollar is quite a different matter. Indeed, the current dollar is generally considered to be worth about 35 cents in terms of the purchasing power of the 1940 dollar.

The last increase in social security benefits was for the month of February 1968—payable early in March. This represented a 13 percent increase in benefits, barely bringing the benefits in line with prior rises in the cost of living.

Since that time the Consumer Price Index has risen 8.2 percent as an overall figure. The price of food has increased from 119.3 to 126.7—or 7.4 percent—using 1957-59 prices as a base. During the same period the cost of all services, less rent, has increased 11 percent, while the cost of all services, including rent, has increased almost 10 percent. The rise has been in those items which most affect older people—food, medical expenses, rent, housing.



The average retired worker's benefit as of August 1968 was less than \$100—or \$99.69 a month. The average wife's benefit was \$51.57 and the average income of a retired couple is just \$169.00 a month, or \$2,028 a year. Any visit to the grocery store reminds all of us how grossly inadequate that amount is. I wonder how often this couple can buy meat—an essential for an adequate diet for older people in particular. I wonder how often they can buy a pair of shoes. I wonder how much they have left for such necessities when they have purchased the prescribed drugs which, for so many of them, are essential for keeping them fit, and sometimes out of the hospital.

The administration bill which is before this committee calls for a 10 percent increase in benefits. I suggest, in this land where the rest of us are living in unprecedented abundance, that an increase of at least 15 percent is more realistic. I have, therefore, cosponsored H.R. 11554, asking for this amount of increase.

Mr. Chairman, we are hearing a great deal about poverty levels in this country. We hear a lot of talk about doing something to cure poverty, yet we hold millions of people at below the poverty level under the social security system by limiting the income of those who are able to work to supplement social security payments. The poverty level of a nonfarm couple is \$2,100, and as I pointed out earlier in this statement, the average income of a couple on social security is \$2,028 a year.

Presently a man or woman can earn only \$1,680 or \$140 a month above his social security payments. Any earnings above that amount penalize his social security income. This feature of the law is so complicated that it has acted as a real "work disincentive" for millions of people who desperately need to earn additional income. The administration bill before you increases the exempt amount of earnings to \$1,800. It's not enough and I am suggesting and hoping your committee will increase to \$2,400 the amount a person on social security can earn and not be penalized on his social security payments. I introduced H.R. 14359, hoping to assist in accomplishing this increase.

An increase in social security benefits at this time would help some 19 million people in our country aged 62 and over. It would benefit 4½ million children and widowed mothers and 1.6 million disabled workers and their wives. I congratulate this committee for holding hearings so promptly, once they received the administration's bill. I know this is a very busy committee, but I know, too, that your concern with getting action on this matter is highly priority legislation. I know your concern for the fiscal soundness of any action taken at this time but I believe you are equally concerned with the physical needs of some 25 million Americans, one out of every eight.

I look forward to early and generous action by the committee. And I appreciate the opportunity to appear before you to urge this course.

The CHAIRMAN. Are there any questions? We have none. Thank you so much for coming to the committee.

Our next witness is Mrs. Lucille H. Shriver.

Mrs. Shriver, please come forward.

If you will identify yourself for our record this morning, we will be glad to recognize you.

**STATEMENT OF MRS. LUCILLE H. SHRIVER, DIRECTOR, NATIONAL FEDERATION OF BUSINESS AND PROFESSIONAL WOMEN'S CLUBS, INC.; ACCOMPANIED BY DR. PHYLLIS O'CALLAGHAN, LEGISLATION DIRECTOR**

Mrs. SHRIVER. Thank you, sir.

I am Lucille Shriver, director of the National Federation of Business and Professional Women's Clubs. I have with me this morning Dr. Phyllis O'Callaghan, legislation director.

The CHAIRMAN. We are pleased to have both of you with us. We congratulate you, Mrs. Shriver, for representing such a fine organization.

Mrs. SHRIVER. Thank you.

The CHAIRMAN. You are recognized.

Mrs. SHRIVER. It is our pleasure to be here today representing the National Federation of Business and Professional Women's Clubs, Inc. Our purpose in appearing before the House Ways and Means Committee is to comment on pending changes in the Social Security Act.

**SUMMARY**

The National Federation of Business and Professional Women's Clubs, Inc., supports legislation which would provide greater equity for working men and women by recognizing the working wife's contribution. In addition, our legislative platform and our philosophy are directed toward equalizing, where possible, benefits between working men and women. While we recognize that the special dependency of many wives cannot be ignored; we also feel that the increasing numbers of working women and the inequities they suffer must not be ignored either.

Therefore our 18,000 members recommend:

Greater benefits for the married, working woman based on her contribution;  
Allowing married couples to pool their income for the purpose of computing social security benefits;

Support for proposals calling for an increase in widow's and widower's survivor benefits from 82½ percent to 100 percent;

Computation of a man's retirement benefit based on age 62 if he chooses early retirement, rather than age 65;

Opposition to proposals that would allow women earlier retirement age than men;

Consideration of the discrimination often against single women in the fact that widows can retire at age 60 with reduced benefits; working women (often single) at age 62;

Provision for a father's insurance benefit as well as the current mother's insurance benefit.

**ORGANIZATION OF THE NATIONAL FEDERATION**

The National Federation is a nonprofit corporation organized and existing under the laws of the District of Columbia. Founded in 1919, and celebrating our 50th anniversary this year, BPW is a federation composed of State federations and local clubs, whose membership registers some 180,000 members. BPW clubs are active in every State, the District of Columbia, Puerto Rico and the Virgin Islands. Membership is open to any working woman, and the federation's membership includes secretaries, lawyers, assembly-line workers, clerks, teachers—in short, women engaged in virtually every occupation imaginable.



## HISTORY OF SOCIAL SECURITY PROPOSALS

Mr. Chairman, we have been testifying on social security legislation since the first bill passed in 1935. Our interest in Federal old-age, survivors, disability, and health insurance continues unabated today. Social security taxes and benefits affect the lives of literally all American women, whether as workers or as dependents. Approximately 11 million women were receiving benefits under social security as workers or dependents as of June 1967.

Let me comment briefly on the history of BPW's legislative goals regarding social security legislation. Throughout the years BPW has sought to extend social security coverage to employment not having the benefit of a statutory retirement system, to amend title II so as to remove limitations upon the amount of outside income which an individual might earn while receiving benefits, or at least to raise that amount.

The Federation has supported: allowing working couples to pool their social security credits and draw benefits on the basis of combined incomes; continuing payments to widows who must return to work; authorization for father's as well as mother's insurance benefits; adoption of a provision that a child would be deemed dependent on his father under the same conditions that he is on his mother.

Many of these aims have been achieved, in whole or in part, but not all, and we will address ourselves to these in a moment. I think first I should also mention proposed amendments to social security legislation which BPW has opposed.

## OPPOSITION TO AMENDMENTS

In 1956 BPW filed a statement with the Senate Finance and House Ways and Means Committees when these committees were considering social security changes. BPW opposed unequivocally the reduction of the retirement age for women to 62 without a corresponding reduction of retirement age for men. The reason for this opposition included that such a difference in retirement age would further encourage supervisors not to promote women, whose term of service might be shorter.

Moreover, women live longer than men. According to a recent report of the Special Committee on Aging of the U.S. Senate, "most older people are women." For all those 65-plus, there are more than 160 to every 100 men. And the younger a working woman retires, the more of a loss to the social security fund will accrue, since the fund loses those years she would have worked and must pay her that much longer. BPW thought this certainly an actuarial factor in the insurance program.

In the last several Congresses, when legislation has been proposed that would allow women with 30 years of work to retire with full benefits at age 62, BPW has opposed this proposal for many of the same reasons. We have no objection to lowering the retirement age or to providing full benefits at 62—for both men and women. But we do contend that the age should be the same for both.

I bring out this opposition to what many would consider preferred treatment for women to indicate that our organization is not here to ask for special benefits for women. On the contrary. What we ask for is simply equality, insofar as that is possible. We are committed by



our 1969-70 legislative platform to "equal treatment for working men and women in the area of survivor and retirement benefits."

#### EQUITY FOR WOMEN UNDER THE SOCIAL SECURITY ACT

We do realize, Mr. Chairman, that equity for women in social security legislation is difficult, that social security changes are complicated by the fact that women fall under this system as wives and workers, as single and workers, as wives and not working (dependent). We are therefore most cautious in the changes we recommend. Nor would we abandon the nonworking wife while pleading the case of equity for the working wife.

You have heard from many different persons and organizations on many different aspects of social security. The national federation has always regarded the social security system as an important and effective program intended to ease the economic pressure and uncertainties which beset retired working men and women. Thus, now, as before, we support increasing the benefits in view of the effect of inflation on fixed-pension allotments and, for the same reasons, increasing the minimum benefits, which are at present too low to make increased benefits meaningful.

We continue to recommend liberalizing the retirement test, so that:

(1) Older persons who want to work will be encouraged to do so, not discouraged by the loss of revenue due them from their own social security payments.

(2) The yearly amount they receive will be increased in another fashion, hoping to keep the program financially sound without too large an increase in the accompanying tax. This is especially important at a time when reputedly six out of 10 of these older citizens live in poverty.

Having made these comments, we turn directly to our specific mandate, working women. Mr. Chairman, we are convinced that the system as presently administered contains certain inequitable features which produce a pattern of discrimination against working women.

In a feature article in the *Monthly Labor Review* for February 1968, a Bureau of Labor statistics staff member noted that "the continuing change of greatest effect, as well as greatest magnitude, in labor-force participation is among married women."

#### SOCIAL CHANGES AFFECTING SURVIVOR AND RETIREMENT BENEFITS

Thirty years ago, when the social security program began, there were many less working women. In 1935 women comprised about 23 percent of the work force. Today this number has risen dramatically to 37 percent. In 1935 about 35 percent of the working women were married. Today it is over 55 percent.

The dearth of women workers 34 years ago was due in part to the depression which denied women jobs more readily even than men. The small percentage of working women was also due to a different climate of opinion, to a lesser degree of education, to the absence of housework-saving devices and technology, such as the computer, which today reduces the difference between men and women workers, since physical skill has become increasingly unimportant.

The Women's Bureau of the U.S. Department of Labor has released a profile of the typical woman worker of today, showing that whereas 50 years ago she was single and 28 years of age, today she is married, living with her husband, and 39 years of age. Given increased life-span rates, the number of years she will want to work and will work are significantly increasing.

Such sociological changes mean that many of our ideas about social security must change since this system is based on social patterns involving marriage, the number of dependents of the wage earner, the sex of wage earners, and the percentage of women working.

BPW believes that a sound social security system has two objectives: adequacy of family protection and equity of return in benefits for contributions paid. Those principles remain with these social changes, but the implementation of them cannot.

The first objective has resulted in benefits totally apart from consideration of a worker's contribution. This has been necessary and will continue to be at least for the near future.

#### SPECIFIC PROPOSALS

The second basis has been neglected. We believe that while a direct and complete relation between contribution and benefits may be impossible in order to achieve the first objective, some reconciliation of the two objectives is not only desirable but necessary.

#### COMBINING INCOME FOR WORKING COUPLES

We first direct attention to the variance in benefits permitted under the law where both the husband and wife have worked. It is possible that a retired couple may get less in total monthly benefits if both worked than a couple receiving benefits based on the same total earnings where only the husband worked.

If, for example, only the husband had worked and had average earnings of \$650 a month, or \$7,800 a year, the benefits paid to the couple at age 65 would be \$323—\$218 to the husband and \$105 to the wife. On the other hand, if the husband and wife each had average earnings of \$325 a month, or \$3,900 a year, a combined annual earning of \$7,800, their benefits will be lower—\$134.30 each, or a total of \$268.60.

Mr. Chairman, we do not have solutions for all these problems. However, for this one we would recommend legislation that has been proposed before that would allow a couple to pool their income for the purpose of determining social security benefits, in other words, to draw benefits on the basis of their combined income. This would be optional. If they could draw higher benefits by using only the primary benefit to which each spouse is entitled, there would be no obligation to combine their earnings, as that would defeat our purpose.

#### GREATER EQUITY FOR THE WORKING WIFE

Under the present system a wife who has never worked under social security may receive as much under her wife's benefit as another woman who had worked and paid contributions. For example, under the present system a wife who never worked would receive \$105 as a



wife's benefit if her husband received the maximum of \$650 monthly. On the other hand, if the same wife worked and made contributions on average monthly earnings of \$120, she would be entitled at age 65 to a benefit of \$81.10, plus an additional wife's benefit of \$23.90, for a total of \$105—the same as if she had not worked. Unfortunately, there are working and nonworking wives who find that their benefits do turn out to be the same.

We realize that the working wife receives benefits not available to the nonworking wife, such as disability insurance protection, death benefits, and benefits for dependents. So, Mr. Chairman, do men, as well as greater benefits for their contribution. On a straight dollar-to-dollar comparison the working wife is receiving a poor return for her contribution. This is true at a time when married women outnumber single women in the work force more than 2 to 1.

What can we do for the working wife who must choose her wife's benefit or her own, losing one or the other? The report of the task force on social insurance and taxes to the Citizens Advisory Council on the Status of Women, April 1968, has recommended the following for consideration:

(1) Eliminating the benefit for wives, with an appropriate increase in benefits for all workers.

(2) Separate benefits into two parts, a social benefit determined in the light of presumptive need and payable to all the aged, and a wage-related benefit paid on the basis of covered work.

(3) A working woman's benefit on top of, instead of, in lieu of a wife's benefit.

(4) Some move toward a concept of family earnings as a base for computing family benefits.

We recognize too that cost is a factor in all these proposals. Therefore, we simply recommend to you careful consideration of these four by this committee with the increasing number of married working women in our labor force and the need of correcting the inequity they suffer.

#### INCREASING BENEFITS FOR WIDOWS AND WIDOWERS

There are yet other inequities we would like to direct your attention toward. Under existing law a man can draw 150 percent of his monthly benefits if he is married and at 65 retires. If a widower, he gets the full 100 percent. But his widow—and the same is true for a widower—gets only 82½ percent of that benefit. We feel that there should be an increase in the amount for widows and widowers who at present receive only 82½ percent of the primary benefit of the deceased spouse. We realize why the 150 percent would not be awarded to a surviving spouse, as that assumes two living persons. But it does seem unfair for a widow or widower to receive only 82½ percent rather than 100 percent of the primary benefit, which the worker has accrued and which is certainly badly needed today, when so many Americans over 65 live in poverty. We therefore recommend that a widow's or widower's benefit at age 65 should be not less than an amount equal to the amount that the worker would have received at the same age had he lived.

We agree with the 1963 Committee on Social Insurance and Taxes of the Commission on the Status of Women as well as the 1968 follow-up tax force "that an aged widow should not be expected to live on less



than what a single man gets." Both groups have recommended, and we concur, that the 100-percent benefit include widowers as well as widows and that this change receive rapid implementation.

#### COMPUTATION OF RETIREMENT BENEFITS FOR MEN

Although both men and women can retire at age 62 with reduced benefits, their benefits are computed, averaged out on different time scales. A man's retirement-benefit amount may accordingly be lower than that of a woman with exactly the same earnings record. In the case of a man, the period between the time he qualified for benefits and reaches age 65 is used in determining the average earnings, though there are 3 years of no earnings, if he chooses retirement at age 62.

We propose that this method of computation be changed and that only the years up to age 62 be counted, just as is now done for women. Three higher-earnings years could be substituted for low-earnings or no-earning years. The Committee on Aging was told this year that more than one-half of the men retiring in recent years leave before age 65.

#### AGE VARIANCE IN RETIREMENT FOR WIDOWS AND SINGLE PERSONS

Mr. Chairman, we cannot justify the present situation in which widows may receive reduced benefits at age 60, single working women at age 62. Since in many cases the widows have not worked at all, this seems to us another example of discrimination against married working women.

#### ELIMINATION OF DEPENDENCY REQUIREMENT FOR HUSBANDS AND WIDOWERS

We turn now to this issue of unequal treatment for husbands and widowers. At present husbands and widowers only receive benefits from their working wives if "dependent." Yet a wife does not have to be dependent to receive spouse's benefits. We feel that this dependency requirement for entitlement to husband's or widower's benefits should be eliminated on the basis of equal treatment for men and women in retirement and survivor benefits, on the basis of equity of return in benefits for contribution paid, in this case by the wife and therefore owed to her husband as beneficiary.

#### FATHER'S BENEFIT

Finally, Mr. Chairman, since February of 1968 children have been considered dependent on both their mothers and fathers, and they are eligible for benefits when either parent becomes entitled to retirement or disability benefits or dies. However, the present system provides for "mother's insurance benefit," payable to widows with surviving children. No provision is made for payments to male widowers with surviving children, despite the fact that the considerations which require payment in the former case seem to apply with equal relevance to the latter as well. We think this discrepancy should be remedied by authorization of the father's as well as the mother's insurance benefits.

Mr. Chairman, I would like to thank you on behalf of our organization, the national officers, and our members throughout the United States for your kind attention to our proposals.

The CHAIRMAN. We thank you, Mrs. Shriver, for bringing your views to the committee.

Are there any questions of Mrs. Shriver?

Mr. Burke.

Mr. BURKE. I wish to compliment you, Mrs. Shriver, on your statement here. You have brought up many of the problems we are faced with, and I am wondering if you would like to make a comment on the problem that this Nation, in fact, the entire world, is facing with the young people, the absence of the working mother from the home, and what we can do to bring the mother back into the home, where there will be some parental control over the children.

As we know, the divorce rates are rising and we have all kinds of problems that were discussed here yesterday, with the high school age children. And there seems to be a tendency for this problem to increase, because women are going into work and employment. The average mother leaves the house at 8 o'clock in the morning to go to work. She hasn't time to look at the schoolchildren, as to how they are dressed or whether they are properly fed. And she returns back sometimes at 6 o'clock at night, or possibly she and her husband drop off and have dinner in town, and she rushes home some nights and she has a TV dinner that she pulls out of the refrigerator. The children suddenly become 18 years of age and we find that they have been under the influence of the TV programs 12 or 14 hours a day. And these children are so far removed from the parents when they get into trouble. The parents actually admit that they don't know their own children.

I was wondering if you had any suggestion as to how we could encourage working mothers to go back into the home and see if they couldn't help in correcting some of the problems we face in juvenile delinquency today.

Mrs. SHRIVER. Well, personally I am not so sure the women wouldn't be just as irresponsible if they weren't working. But we do advocate day-care centers. We realize this is a problem and that children need to have this kind of supervision.

Do you have anything to add, Phyllis?

Dr. O'CALLAGHAN. Mr. Burke, it would be, I think, our position that, of course, both mothers and fathers are responsible for those children and that if the children need the mother's attention, they also need the father's attention.

I think that many people who are now studying development of children have arrived at the conclusion that the mother being in the home itself doesn't necessarily contribute to the child's personal development. It is the quality of her being at home. And there are many women who are better mothers because they are fulfilling themselves in many directions, including some form of work.

It would be my personal opinion that the atmosphere in the home is made by both the mother and the father and that it doesn't have a direct bearing on the number of minutes that they are with the child but with how they are with them.

Mr. BURKE. Don't you think that a husband or father would like to come home at night after his daily chores and find a nice home-



cooked meal there and a little bit of the comforts that our fathers and mothers used to enjoy in the old days? We seem to be losing something in the home today. Everybody is rushing helter-skelter. They have two or three in the family, and they have got to go out on a vacation, and they have to go here and there. And the poor children just seem to be growing up in a vacuum.

I am not criticizing working mothers. I know they are trying to live up to the Joneses, and they have their problems. But I was wondering if somebody couldn't come forward with some suggestion so we could return to the old days, where the parents knew where their children were and where they weren't so tired from working in an office all day that they had some time to devote to the children and the problems that young children have.

I think that we have gone through a cycle since World War II that it seems has given us all kinds of problems. We see this welfare cost pyramiding, and we have almost 700,000 children on child welfare in this country, where the Federal Government is only contributing about 8 percent toward their upkeep. These children are just abandoned as wards of the State. And then you have all these AFDC cases. There seems to be so many problems, it seems to go back to the family life. The strong family life that we had in this Nation that made this Nation so great we now seem to be swinging away from. And the youngsters are bewildered. They feel that no one cares about them. They see their father and mother rush out to work every day, and they get back around 6 or 7 o'clock at night, and they are too tired to even consult with the children to find out how they did in school that day or anything else.

I was wondering if somebody couldn't come up with some suggestion to try to get the mothers back into the homes and see if we couldn't improve the family life a bit. I know it is quite a question with us, and I thought maybe you people could offer some suggestions.

Mrs. SHRIVER. We have no solutions, Mr. Burke.

Mr. BURKE. You have no solution?

Mrs. SHRIVER. No solution to that.

Mr. BURKE. But you are not advocating that the Government do something that will encourage the mothers to go into the work force and abdicate their responsibilities at home, are you? You don't believe in that, do you?

Mrs. SHRIVER. As a rule, I feel that the working women are probably more responsible and responsible to the children than some of the women who stay home with bridge parties, et cetera, in the afternoon or cocktails in the backyard. That doesn't make really much difference.

I think if they are responsible, they will be responsible in either event.

Mr. BURKE. I recall when I was a little boy—I come from a family of 10, and I remember my mother getting up very early in the morning. My father used to leave the home at 7 o'clock, and my mother would braid the hair of all my sisters. They all were dressed up, and she scrubbed us and sent us out, and after school my mother was home. When we left school, she knew how long it took us to get back home. And she usually knew where we were.



I think that today that is missing. I don't think the parents today know where their children are or what they are doing. Some people refer to the TV as a "booby tube," and the youngsters are watching these programs of violence and everything else on TV and listening to some of these people who are on radio, some of these people whose intelligence isn't too good, or they are not well balanced in their thinking. The children are being influenced by all this, and they are growing up in this atmosphere.

I am afraid if we don't get back to some of these ideals and principles that all these welfare programs, social security programs, and everything, will be meaningless. I am hoping that somebody will come forward here with some testimony that will suggest a way to get the mother back to see what the children are doing and give them a little parental supervision.

Thank you.

The CHAIRMAN. Any further questions?

Mr. VANIK. Mr. Chairman, just one question is all I have.

The CHAIRMAN. Mr. Vanik.

Mr. VANIK. In your testimony, Mrs. Shriver, you see no case made for the accelerated retirement of the female member of the working team. Now, part of the theory in existing law is the 4- or 5-year average age differential between two marriage partners, and a little bit of the design is to permit them to retire at the same time, so that when the husband reaches retirement age, the wife has the same readiness for retirement.

Do I take it that you consider equality much more important than the privilege of simultaneous retirement?

Mrs. SHRIVER. Yes, we are advocating equality.

Mr. VANIK. You think that is a superior advantage over the advantage that exists in the present law in which both working partners can retire at the same time? You think it creates a good situation for the husband to retire perhaps and have the wife continue to work on for 2 or 3 more years or 4 years, depending on the average age differential between the partners?

Mrs. SHRIVER. No, we just think it should be equal for both men and women.

Mr. VANIK. You see, the practical effect of it is a man would generally reach retirement age and the female partner would continue working for 3 or 4 years. You think she is going to be willing and happy to do that?

Mrs. SHRIVER. That is what we are advocating, Mr. Vanik.

Mr. VANIK. Thank you very much. I just wanted to clear it up.

The CHAIRMAN. Any further questions?

If not, again, Mrs. Shriver, we thank you for coming to the committee.

Mrs. SHRIVER. Thank you, sir.

The CHAIRMAN. Our next witness is Mrs. Myrtle Williams.

Come forward, Mrs. Williams, please. We are glad to have you with us, Mrs. Williams. If you will identify yourself for the record, we will be glad to recognize you.

# STATEMENT OF MRS. MYRTLE WILLIAMS, PRESIDENT, NATIONAL LEAGUE OF SENIOR CITIZENS AND CHAIRMAN OF CALIFORNIA LEAGUE OF SENIOR CITIZENS

Mrs. WILLIAMS. Thank you.

I am Myrtle Williams, president of the National League of Senior Citizens and chairman of the California League of Senior Citizens, testifying with regard to social security amendments and arguments in favor of H.R. 1010, the U.S. Retirement Act, to provide a guaranteed annual pension for the elderly, the blind, and the disabled.

Mr. Chairman and members of the committee, I again say my name is Myrtle Williams, and I am chairman and cofounder of the California League of Senior Citizens and president of the National League of Senior Citizens, both being nonprofit corporations representing the needy elderly, the blind, and the physically handicapped. With headquarters at 1031 South Grand Avenue, Los Angeles, Calif., we have worked for 27 years to achieve, through the orderly legislative process, some measure of dignity for retired Americans who reach their sunset years and find they are no longer needed by the productive sector of society.

We have been concerned with economic justice—with the health, housing, and human rights of older Americans, especially those who are forced to accept public assistance in lieu of a dignified pension system. Our organization is perhaps the oldest, and certainly the most consistent, spokesman for millions of needy elderly citizens, who always seem to end up at the bottom of the list when it comes to assigning priorities. We have been dedicated to the sole task these many years of uplifting the lives of these all-but-forgotten older Americans. Many of you now serving on this committee, I am sure, are familiar with our struggle in the past to establish decent minimum welfare standards, to raise social security payments—the long struggle for adoption of medicare, for low-cost housing for the elderly, for food stamps for the hungry, and many other social programs which now appear to be inadequate in the face of today's realities. All our efforts are financed through membership dues, subscriptions to our monthly tabloid newspaper, the Senior Citizens Sentinel, and financial gifts from those who sympathize with our humanitarian goals.

## POVERTY—THE NUMBER-ONE ENEMY OF THE AGED

Gentlemen, the plight of our elderly citizens is approaching a national calamity. Some 8 million out of our 23 million senior citizens are suffering unbelievable economic hardship. The struggle to make both ends meet on woefully inadequate welfare and social security checks is really desperate. No other segment of our population is caught so unmercifully between the hammer of rising living costs and the anvil of fixed incomes. No other segment of the population has suffered such humiliating poverty. No other group has sunk so deeply into the economic swamp of social insecurity. And no other segment of the population has so often tasted the bitter fruit of unkept promises. Promises have always been plentiful, but sadly, fulfillments of these promises have been all too few. We have been told that "tomorrow"



things will be better. But the elderly don't have too many tomorrows to spare.

I am sure you have had ample opportunity to become familiar with the dismal statistics which reveal the widening poverty gap between the elderly and the rest of the population. I will not dwell on them here. They are available in countless reports and documents. I will merely refer you to the abundance of evidence presented to the Senate Committee on Aging under the chairmanship of Senator Harrison A. Williams, Jr., of New Jersey. In a preface to a report on the plight of the elderly, Senator Williams said, and I quote:

The economic problems of old age are not only unsolved for today's elderly, but they will not be solved for the elderly of the future—today's workers—unless this Nation takes positive comprehensive actions going far beyond those of recent years.

The report says that "many of these people did not become poor until they became old." And this is no surprise when we find that the "median annual income for the single person over 65 is \$1,055," which comes to about \$88 a month.

Gentlemen, how many of you could live on that amount? This means that 30 percent of our aged population, whether single or married, live in poverty. This information should be sufficient to show how miserably we have failed our retired citizens.

Earlier this year the U.S. Department of Agriculture released data predicting that consumers will have to pay from 4.5 to 5 percent more for their food in 1969 than in 1968. The predicted rise in retail food prices includes a 1- to 2-percent increase in food bought at grocery stores and about 5 percent for meals at restaurants. This latter figure is an additional blow against the millions of single elderly persons who take their meals in restaurants in our metropolitan areas, where they live in shabby rooming houses and dingy hotel rooms, literally segregated by high rent patterns and costly and inadequate transportation facilities.

Thus, the buying power of the elderly who subsist on fixed incomes has been steadily reduced by inflation. In actual buying power the individual who retired in 1954 was able to buy more with a smaller benefit payment than he can buy today with a higher benefit payment, whether it be in the form of social security, public assistance, or both. The inescapable fact is that poverty is the No. 1 enemy of the elderly. This is perhaps best summed up by California's eminent jurist, Stanley Mosk, justice of the State supreme court. Judge Mosk, speaking to the National Rehabilitation Association in Fresno, Calif., put it this way, and I quote:

. . . the melancholy fact is that despite all the attractive figures and the statistics demonstrating a burgeoning economy, and despite the war on poverty—which we wage with less vigor and with success about equal to that in Vietnam—there are still more than 30 million Americans, perhaps as much as a sixth of our Nation, living poverty. . . . The old, the frail and the physically handicapped are inevitably the victims of this economic dilemma. While given just barely enough of the fruits of progress to prolong their lives, they are nevertheless deprived of meaningful opportunities to fill their added years with satisfaction.

Yes, it is very difficult to live a meaningful life while fighting to keep the wolf away from the door.



## WELFARE SYSTEM PERPETUATES POVERTY

Our welfare system is in a state of chronic crisis. It no longer does the job. It has become a sort of publicly operated tin-cup charity apparatus, weighted down by tons of bureaucratic redtape. Rules have become more important than recipients. Under this system an elderly person survives only because it has become his habit to survive. But the elderly welfare recipient lives in fear. He fears rent increases and possible eviction. He fears catching cold or pneumonia because of improper heating facilities in hovels where he is forced to pay exorbitant rent. He fears not getting adequate medical care when he needs it. He fears being shelved in some horrifying establishment euphemistically called a nursing home. Or he fears being warehoused in a State mental hospital because there is no place else to put him. He lives in a quagmire of doubt, in the grey limbo of undernourishment. Fear is the daily, constant companion of millions of once-proud Americans who are now elderly welfare recipients.

Surely we owe them something better than this. It is time for drastic changes in our entire welfare concept. I agree with Mayor John Lindsay, of New York, when he said "the welfare system was designed 30 years ago to save money and people, but now it does neither." And I agree with Mr. Ellis Murphy, welfare director of Los Angeles County, who administers welfare programs for more than 550,000 recipients, more than one-third of California's total welfare roll. Mr. Murphy, a very competent administrator, told the President's Commission on Income Maintenance during hearings in Los Angeles that, and I quote:

"The present system appears incapable of dealing with the problem. No one—recipients, caseworkers, welfare administrators, legislators, taxpayers—is happy with the present welfare structure and system."

We are now at the crossroads. Are we going to take the high road to new horizons for the elderly? Or will we continue to stumble down the low road to institutionalized poverty for the aged and its inevitable loss of human dignity?

The present welfare system, which punishes people for being poor, has more built-in evils than a porcupine has quills. I assure you, gentlemen, that during my 27 years of working with elderly people, I have learned to understand their needs and their frustration over public policies which write them off as a negative bloc. There is something new in the wind. Today the elderly will no longer accept halfway measures. They feel that getting rid of the present hodge-podge welfare-charity system is vital to their survival. They want to replace it with a real national pension system, a guaranteed annual pension establishing a floor under the income of all retired persons. They feel that merely overhauling the present inadequate welfare system will not solve their problems—nor will it ease the anxieties of the elderly, the blind, and the disabled who now stand helplessly at the brink of computerized oblivion. Merely changing the name of the game, as some officials have advocated, will no longer work. The magic of semantics will not put food on the table, or clothes on their backs, nor will it pay the rent. They don't want another name for the same old welfare game. They want an entirely new game, based on the simple and necessary premise that every retired citizen in this Nation is entitled to a decent, mini-

imum income as a matter of right, not as public charity. This must be the cornerstone of any new program.

Remember this, gentlemen, our older citizens have borne the brunt of two world wars, they weathered the Great Depression of the 1930's, and the present prosperity is built upon their productive years. They have invested heavily in the "future" of their land, and now the future is here. Where are the dividends they have rightfully earned while helping to swell the gross national product? Inflation, the cost of living, rent gouging, high-medical costs, compulsory retirement with inadequate pension payments—these have eaten up their dividends. In other words, the working generations have expropriated the wealth the elderly helped to produce.

#### U.S. RETIREMENT ACT—A BOLD STEP

Only bold steps can remedy this situation and restore to the older American the dividends he earned, H.R. 1010 is such a bold step. It is necessary, realistic, and consistent with the needs of these revolutionary times. If our Government can guarantee the profits of many private enterprises, it seems reasonable to expect that it should guarantee a minimum standard of decency for the elderly, the blind, and the disabled through an income-supplement program.

I recognize that this administration apparently is not yet prepared to adopt the principle of a guaranteed annual income for all of America's 30 million poor. I understand the problem posed in reconciling income supplements with the problems of work availability on the part of those needy persons who are still young enough and physically able enough to be a part of the productive economy. This concern centers mainly on the program of aid to families with dependent children. However, there is no reason why the elderly, the blind, and the disabled should be made to suffer while these doubts and hesitations are being explored. The elderly have already been economically segregated, forced out of the productive sector. Why should they be maintained in the present welfare shadow world with all its stigma and harassment? The principle of a guaranteed annual income should be put into effect in its first phase now by providing a guaranteed annual pension to the elderly, the blind, and the disabled through H.R. 1010. Let this be the pilot program while the various commissions continue their endless overstudy of this question.

The aged are separated from the rest of society by a poverty gap. H.R. 1010 will close this gap. This bold plan can be a big gun with which to fight all poverty in America by placing a brand new purchasing power into immediate circulation. We estimate this will run between \$35 billion and \$40 billion a year. Here is how the plan would work:

H.R. 1010 amends the Social Security Act to provide Federal supplementary cash payments to each person 62 years or older, plus the blind from age 16 and the disabled from age 18. These payments, providing a guaranteed minimum retirement income, will be made under the noncontributory section of the social security system. This minimum income will be pegged to the prevailing Federal minimum wage as set by the Fair Labor Standards Act.

At the current minimum wage of \$1.60 per hour, and based on a 40-hour week, this amounts to about \$277 a month per person. Each recipient whose income, no matter from what source, falls below \$277 a



month would receive the necessary supplementary payments to bring it up to the prevailing minimum standard. Applicants would go to their social security offices and establish their eligibility by providing proof of age or disability and the amount of their net income from all sources. This will be done by affidavit, subject to spot checks, thus eliminating the costly system of investigations, means tests, and other invasions of privacy which now harass the elderly welfare recipient. The only "test" is the individual's net income. Payments to recipients will be made by check from Federal sources in the same manner as social security checks.

#### NEW FINANCING METHODS

Yes, the cost of such a program will be great. But the far-reaching results of such a program can well make the difference between saving our present institutions or exposing them to destruction because of our failure to do something bold and decisive about poverty. H.R. 1010 would immediately place into the pockets of some 25 million needy Americans a tremendous purchasing power, bringing with it a great increase in employment and economic growth. This program would also relieve the State and local governments of the necessity and cost of running public assistance programs. The gradual phasing out of the Federal, State, and local adult public assistance programs, will save up to \$3 billion a year. We are not asking that you shortchange other domestic programs to finance this program. We say our country is rich enough to finance a guaranteed annual pension for the elderly while at the same time financing programs for the youth, slums education, and so forth. A bold program calls for bold approaches in financing.

We must complete the triangle by bringing the Federal Government into the social security partnership as the third contributor to the insurance fund from general revenues. Thus, the three-way responsibility—contributions from employer, employee, and Government—will establish the basis for a sound retirement system.

The possibility of a special Federal retirement surtax on industry and business enterprises should be explored as a means of helping to finance the program. Industry bears a responsibility to those it consigns to the scrapheap. In addition to providing a decent retirement for the aged, it will spread the tax burden to those who have benefited the most from the labor and productivity of our discarded elderly workers. Additional tax credits could be provided for those firms and corporations who keep workers over 62 on their payrolls, or who help to finance adequate private pension programs for their employees.

It is only a matter of priority, gentlemen, as to how we spend our money. I would also propose another "matching" fund program; that is, for every dollar spent on the outer space program, another dollar should be earmarked for the fund to provide a guaranteed annual pension for the aged.

Yes, these are bold measures. But in 1936 the adoption of the Social Security Act was also a bold, unorthodox measure. At that time it was necessary to take steps to keep the aged out of the poorhouses. Now H.R. 1010 is a logical extension of the social security system, a necessary step to close the poverty gap.



Our gross national product will exceed \$900 billion this year. No nation can match this wealth. Yet many nations spend a larger percentage of their wealth for social welfare programs. The United States actually ranks 25th in the amount of money spent for social security and aid to the handicapped. We spent only 5.7 percent of our national income on social security, about the same as Portugal and Panama. Germany spends 20 percent, France 17.9 percent, and Austria and Italy more than 14 percent of their income. It is strange, indeed, that a nation which boasts of its ability to conquer outer space and all but capture the sun, makes such a poor showing in the field of social security.

Gentlemen, our older citizens are becoming impatient with the procrastination of their elected representatives. Each year the elderly become less tolerant of the cynicism that allows Congress to raise its own salaries in the off-election year, while adopting a token social security raise in election years. Even these small raises never show up on the checks of public assistance recipients because the money is highjacked by the States, which add the money to their treasuries instead of putting it in the pockets of the poor as intended by Congress. The language of the present law should be rewritten to make it mandatory that all social security raises be passed on to public assistance recipients in all States without any reduction in their aid grants.

The California League of Senior Citizens, its national affiliates, and individuals all over the country have been circulating our Citizens Petition for H.R. 1010 by Philip Burton of California. Its companion measure in the Senate is Senate bill 370 by Jennings Randolph of West Virginia. These petitions, some of which I have brought with me today and some of which are in the truck outside because they could find no convenient place to put them, but something in the neighborhood of over 100,000 people requested that you consider H.R. 1010 as the first order of business of need, and some of which I have brought here today in my—of course, I will be glad to show you—are addressed to this honorable body.

The elderly are placing their fate in your hands. We have always employed the orderly machinery of democracy to fight for our cause. We hope your response to the plight of the elderly will encourage this democratic process.

For make no mistake about this, gentlemen, some of our senior citizens may also resort to more militant actions in the future. It wouldn't surprise me if some of these good, gray-haired folks took it into their frustrated heads to start occupying and "seizing" social security and welfare offices around the country as a means of protest.

I hope my presence here will serve to help mobilize our senior citizens to support the more orderly method of peacefully petitioning for the redress of their grievances. And I hope your response to their needs will make other methods unnecessary.

Gentlemen, I wish to thank you for this opportunity to present the views of the membership of the California and National League of Senior Citizens. I appreciate your patience and kind attention.

Thank you.

The CHAIRMAN. We appreciate your bringing to us the views of your organization, Mrs. Williams. And if you will leave with us the petitions you refer to, we will be glad to receive them.

Mrs. WILLIAMS. Thank you.

The CHAIRMAN. Without objection, the committee will recess to reconvene at 2 o'clock this afternoon in this room.

(Whereupon, at 12:10 p.m. the committee recessed, to reconvene at 2 p.m. the same day.)

#### AFTERNOON SESSION

The CHAIRMAN. The committee will please be in order.

Our next witness is Mr. Jerome Gulan.

Mr. Gulan, if you will identify yourself for our record, we will be glad to recognize you.

#### STATEMENT OF JEROME R. GULAN, LEGISLATIVE DIRECTOR, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Mr. GULAN. Thank you, Mr. Chairman.

I am Jerome R. Gulan, legislative director of the National Federation of Independent Business.

The National Federation of Independent Business thanks the committee for the opportunity to present testimony concerning social security amendments and their importance to the 5 million small businesses throughout the United States.

The Federation now represents almost 275,000 small and independent business and professional people in the country, or approximately 1 out of every 20 businesses.

In this statement, the Federation will concentrate on three main points, namely the increase of the contribution and benefit base from the current \$7,800 to \$9,000 annually, social security taxes paid by the self-employed, and the increase in the amount beneficiaries can earn annually without reducing their benefits.

#### CONTRIBUTIONS BASE

Mr. Chairman, the Federation has appeared before this committee on a great many occasions, each and every time voicing the warning that American small business cannot afford additional increases in payroll costs. We find ourselves in that same position today, with regard to the legislation before you. No one can deny that our older citizens are in need of increased retirement benefits in order to maintain a standard of living which is their right, provided those increases are kept in line with the ability to finance them. These increases are designed to cope with the increased cost of living resulting from inflation. These same increases, however, when tied to either an increase in the social security tax rate or an expansion in the contributions base prove themselves to be inflationary as the employers pass the increased payroll costs on to the consumer. This is the general trend, it has happened in the past, and is bound to take place again in the future.

Perhaps the exception here is the truly small businessman who finds himself oftentimes unable to pass the increased costs on. This small businessman, beset on the one hand by ever-increasing payroll costs, yet on the other by an inability to increase income, finds himself faced with the necessity to cut back on employment, or worse yet, cease doing business entirely.

The Federation does feel that the proposed 10 percent increase in benefits could be financed out of an existing surplus attributable to past increases in taxable personal earnings without a further rise in those taxable earnings. We also feel very strongly that even greater benefit increases could be achieved by cutting back some of the drain presently being siphoned off the Social Security Trust Fund.

#### SELF-EMPLOYED

The social security tax has doubled and even tripled for many Americans during the past 10 years, and still self-employed persons continue to pay even higher rates than employees. The burden of the social security tax on the self-employed private businessman is apparent when his rate is compared with that of a corporation executive who pays the maximum employee tax of \$343.20 per year or \$154 less than a self-employed person with an income of \$7,800 or more.

The Federation strongly supports legislation introduced which would grant social security tax relief to many of the self-employed.

Under a House bill already introduced, H.R. 6983, self-employed persons earning less than \$10,000 a year would pay no higher social security tax than an employee with the same income, in effect eliminating the so-called "premium self-employment tax" on these individuals. This bill would cut the premium tax in half for those earning between \$10,000 and \$15,000. Higher income taxpayers would not be affected.

Our members, Mr. Chairman, keenly aware of the increasing burden of social security and other pressures on small business, support this legislation by a 4-to-1 margin. We feel the cost of social security contributes to the low rate of return which has caused thousands of these people to give up their own businesses.

Many Federal programs are designed to encourage farming and self-employment, but the social security structure has some built-in disadvantages for the self-employed. Not only is the tax rate high, but because of the income limitation, the self-employed person often finds he has to sell his business to receive old-age benefits.

Responses to Federation surveys indicate that many small businessmen are becoming increasingly disenchanted with their low after-tax earnings, considering the financial risks and long hours required of "being your own boss." To many, the lesser demands and worries of being a salaried employee appear attractive.

#### INCREASED EARNINGS

For a great many years now the Federation has strongly supported various legislative proposals which would allow retired people to earn more money without suffering corresponding losses in retirement benefits. We feel that it is wrong to penalize an individual for his incentive and ability to do useful work. The majority of older people throughout the country have little desire to be "put on the shelf" or set aside by society. At the same time, they feel that they have every right to retirement benefits derived from a program they have paid into for most of their working lives.

Just to get some idea of how younger people coming into the system today view their future retirement under social security, let us look



at some facts and figures. A 25-year-old starting work this year and paying the maximum tax for the next 40 years will contribute, along with his employer, \$31,293.60 to the plan (not counting the medicare portion). Accumulating interest at a low rate of 4 percent annually, this sum would grow to \$73,725 by the time this young man reaches the age of 65. Even discounting 20 percent of the social security taxes to cover the disability and survivors insurance portions of the plan, the maximum employer-employee contribution during this 40-year period would be \$25,036, which still at 4 percent interest would swell to \$58,620. Now, average life expectancy at age 65 is 14 years. Should our young man be single or widowed, withdrawing amounts to maximum old-age benefits for 14 years, he would still not be able to recapture, at projected benefit levels, anywhere near the \$58,620 accrued over his 40 working years.

Mr. Chairman, this hypothetical situation, when considered in conjunction with the fact that our young man will be penalized should he be capable or desirous of continuing to be employed in almost any capacity after age 65, certainly does not give him a very enticing picture of the eventide of his life some 40 years hence.

We strongly feel that the social security retiree, having made his contributions throughout his working life prior to 65 should realize his full benefits after 65 regardless of his employment status.

In concluding, Mr. Chairman, we would like to say that by further increasing payroll taxes, as we will be doing by increasing the base, we will once more be adding to the cost of doing business. According to our members throughout the country, increased social security taxes in recent years, coupled with increased minimum wages, and expected increases in unemployment compensation taxes, are fast bringing about a revolution in small business thinking. When the point is reached where the small entrepreneur weighs the cost of doing business against the expected return for his efforts, and finds a negative answer, we will at that point have succeeded in snuffing out that essential element of initiative which, throughout our history, has characterized our cherished system of American free enterprise. Mr. Chairman, at that point, we fear that small business will cease to exist as a distinct, viable sector of the American economy.

We also fear that we may be nearer that point than we now realize.

Thank you for your time, Mr. Chairman. That concludes my statement.

The CHAIRMAN. Thank you, Mr. Gulan, for your statement.

Any questions of Mr. Gulan?

Thank you again.

Mr. GULAN. Thank you.

The CHAIRMAN. We will call Mr. Lannon to the table as soon as we get back.

You may have a seat there. We are being called to the House floor. We will be back in a few minutes.

(Brief recess.)

The CHAIRMAN. The committee will resume its hearing.

Mr. Lannon, if you will identify yourself by giving us your name, address, and capacity in which you appear, we will be glad to recognize you.

# STATEMENT OF ALBERT LANNON, WASHINGTON REPRESENTATIVE, INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION

Mr. LANNON. Thank you, Mr. Chairman.

My name is Albert Lannon. I am Washington representative of the International Longshoremen's and Warehousemen's Union.

The CHAIRMAN. We are pleased to have you with us, and you are recognized.

Mr. LANNON. I appreciate very much the chance to appear again before you.

## SUMMARY

Increase minimum benefit to \$100 per month; increase average monthly benefit to retired couples to \$300.

Add cost-of-living escalator provision.

Increase outside earnings to \$3600 without penalty.

Reduce qualifying age for widow's benefits from 60 to 50; full benefits to widows.

Remove restrictions on payments to beneficiaries living abroad.

Extend Medicare coverage to chiropractic services; include costs of eyeglasses, hearing aids, dental service, medicines under Supplementary Medical Insurance.

Eliminate charges to recipients for first three pints of blood.

Raise taxable base and add federal contributions to help fund Social Security.

Further: use general revenues to fund entire system, abolishing SS taxes on workers.

Short of that: propose graduated taxation of all income to fund a program guaranteeing a decent standard of living to all retired Americans on a basis of need.

Prompt action on benefit increases; to go into effect before the end of the year.

The International Longshoremen's and Warehousemen's Union has some 65,000 members working in Alaska, Hawaii, California, Oregon, Washington, and in Canada. We also count in our ranks some 10,000 men and women who have retired or been widowed, many of whom are members of local union pension clubs or of the ILWU Pacific Coast Pensioner's Association. Let me stress from the outset that both our working members and our retired members endorse a substantial increase in social security benefits. The ILWU's 18th Biennial Convention, which met last April, and the PCPA's September 1969 Convention both adopted the attached resolution, which we ask be included in the record.

The CHAIRMAN. Without objection, it will be included.

(The resolution referred to follows:)

## STATEMENT OF POLICY No. 5

### SOCIAL SECURITY

In 1967 the social security law was amended to provide average across-the-board increases on benefits of 13 percent to the 24 million people in social security. Despite the healthy hike in benefits—only the sixth since monthly payments were first made in 1940—social security benefits are not enough to provide a decent and comfortable standard of living.

The sharp rate of inflation in the past two years has hit particularly hard at social security recipients on fixed incomes. Social security increases have not kept pace proportionately with what working people have been able to win at the bargaining table, the benefits have not even kept up with what the government itself considers to be a minimum budget for retired people.

Living conditions require that there be substantial improvements in social security. The following is a minimum program:



1. The minimum payment ought to be raised to \$100 per month, and the average monthly payments to retired couples should be raised to \$300 per month.

2. Social security benefits ought to be adjusted annually to provide increases at least equivalent to the rise in prices and/or the average wage gains won at the bargaining table, whichever is higher.

3. The present social security law allows a retired person to earn up to \$1,680 without a loss of benefits, a loss of \$1 in benefits for each \$2 in earnings from \$1,680 to \$2,880 and a dollar for dollar loss of benefits for earnings in excess of \$2,880. This provision should be amended to provide no loss of benefits for earnings up to \$3,600 per year for a retired couple, a loss of \$1 in benefit for each \$2 in earnings from \$3,601 to \$6,500 and a dollar for dollar loss only for earnings in excess of \$6,500.

4. Some 200,000 people who spent all or most of their working lives in the U.S. now live abroad and receive social security benefits. Under the 1967 amendments, some 10,000 of these aged and usually needy people will lose their benefits. These people left the U.S. with what they considered to be a pledge that they would continue to get their checks. Now the government is renegeing. There should be no restriction on benefits for social security recipients living abroad. They lived and worked in this country, paid their taxes, and deserve the full amount of benefits.

Mr. LANNON. Thank you.

Most Americans have, in recent years, become aware of and concerned about the extent of poverty in this, the most prosperous nation in the world. Our elderly and disabled citizens amount to at least one-quarter of those Americans whose incomes fall below that needed to maintain even a minimal existence. In 1966 one-third of those Americans aged 65 and over were living below the poverty line. Recognizing this, Congress acted to increase social security benefits in 1967, but our retired citizens found that in a matter of months that increase had been wiped out by rising prices and taxes.

The concern shown by many in Congress, by the administration in making its recommendations, and by this committee in scheduling prompt hearings, is to be welcomed and commended. Many retired citizens had begun to wonder if they were the "forgotten Americans," especially after noting the speed with which Congress approved a 40-percent pay raise for itself.

We note that administration proposals for a 10-percent increase, and Democratic proposals for a 15-percent increase in social security benefits fall far below what is right and necessary. Using Secretary Finch's figures showing an average benefit to a retired couple to be \$168 monthly, we see that a 10-percent raise would raise monthly income only \$17; a 15-percent increase would add only \$25 to the amount which a retired couple receives and which is, in many cases, their sole source of income. We believe that a more realistic benefit to a retired couple would be an average monthly benefit of \$300. We urge that the minimum benefit be raised to \$100 a month.

Our retired or disabled citizens might be entitled to "Golden Age Club" discounts in certain movie theaters, but the costs of food, rent, medicine, taxes, insurance, transportation, et cetera, allow no discounts; for the necessities of life, the only discount our pensioners receive is in the amount of their social security benefit, as its purchasing power declines while prices and taxes rise.

We propose that the amount of outside earnings allowed without penalty to social security recipients be raised to \$3,600 for a retired couple, and point out that adoption of these proposals—\$300 per month in social security benefits and \$3,600 in earnings—would provide a couple with an amount approaching what is necessary to live decently and comfortably.



We commend the President for his proposal to add an automatic adjustment of benefits—a cost-of-living escalator—to the law. This is long overdue.

We regret that there are those who look upon approval of social security benefit increases as a means of currying election-year favor. As our Pensioner's Association said in a statement last year favoring cost-of-living increases: "At present people depending on social security are used more or less as political footballs. It is common practice for many politicians in election years to use social security increases as a good weapon to secure votes. We think it is about time the elderly did not have to depend upon politicians for adjustment of their incomes to meet rising prices." Mr. Chairman, the members of ILWU concur; we feel it borders on criminal irresponsibility to play politics with the lives, health, and security of the aged and the infirm.

Our retired members have pointed out other areas of the law which they believe should be changed, and we urge their consideration.

As proposed in H.R. 2377, we support lowering from 60 to 50 the age at which a woman may qualify for widow's insurance benefits. We also support the President's recommendation that widows receive full benefits. For the wives of longshoremen working in our Nation's secondmost hazardous industry, these can provide some measure of protection and security.

There is a provision in the law which we believe to be an unfair relic of a less enlightened area. The provisions dealing with alien benefits authorize the Treasury to withhold payment to beneficiaries, who move to certain countries, the list of which changes according to foreign policy dictates. Some 10,000 people who lived and worked in this country, and who paid their taxes, are made unwitting pawns in the game of international politics. These people left this country with what they thought was a pledge that they would continue to get their checks, and we urge that the law be amended so that they may do so.

We urge changes in the medicare provisions to allow coverage for chiropractic service, and to extend coverage under the supplementary medical insurance program to dental service, eyeglasses, hearing aids, and medicines. We urge that the charge to beneficiaries for the first 3 pints of blood be eliminated, and that the program provide for full coverage of blood transfusion costs. Our retired members have found that costs in these areas impose a substantial financial burden which undercuts the intent of the programs and which ought to be alleviated.

We ask for many things, all of which cost money. We must point out, however, that the business of life—which includes substantial improvements in the social security program—is far less expensive than the business of death. Surely a nation which can provide some \$80 billion for questionable military hardware can provide the fraction of that amount needed to insure our retired citizens a decent standard of living. There is a gross distortion of priorities when we can spend over 100 times a retired couple's yearly benefit to kill a single Vietnamese.

We must object to proposals to increase the social security tax on working people, even when that increase is presented as a "reduction." Workers are already over-taxed, and an increase of 0.3 percent

instead of 0.4 percent is still an increase and not a reduction of their tax burden.

We support raising the taxable wage base and endorse the approach of Representative Gilbert in bringing in Federal contributions to fund the Social Security System. We go further and propose that general revenues be used to fund the entire program, and that social security taxation of working people be ended. Short of that, we suggest a graduated social security tax, applied to all income. Low-income workers, perhaps families with annual earnings of \$5,000 or less, ought not to pay any social security—or any other—Federal taxes. Those in the upper income brackets ought to pay more—that is the basis of our Nation's progressive, graduated tax policy, a policy which present social security taxation grossly violates.

We seek, in short, a system of progressive taxation which can provide a decent standard of living to all retired Americans on a basis of need, and which will not be subject to the vagaries of partisan politics.

Finally, we urge that action to improve the social security structure be given the highest priority by this committee, and that substantial benefit increases be put into effect no later than the end of this year.

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you, Mr. Lannon, for bringing to us the views of your organization. Thank you, sir, very much.

Mr. LANNON. Thank you.

The CHAIRMAN. Mr. Yaeger?

Mr. Yaeger, if you will identify yourself for our record by giving us your name, address, and capacity in which you appear, we will be glad to recognize you, sir.

#### **STATEMENT OF FRED YAEGER, COMMITTEE OF AGING AND DISABLED FOR WELFARE AND MEDICAID**

Mr. YAEGER. Mr. Chairman, my name is Fred Yaeger. I am the executive director of the Bronx Foundation for Senior Citizens in the Bronx, N.Y., and I am representing the Committee of Aging and Disabled for Welfare and Medicaid.

The CHAIRMAN. We are glad to have you with us and you are recognized.

Mr. YAEGER. Thank you, sir.

I appear today as the spokesman for the Committee of Aging and Disabled for Welfare and Medicaid, a coalition of more than 40 agencies, labor unions and senior citizens groups. Copies of the list of member agencies have been submitted to the committee.

The CHAIRMAN. Would you like to have that list included in the record?

Mr. YAEGER. Very fine.

The CHAIRMAN. Without objection, that will be included in the record.

(The list referred to follows:)

## LIST OF SPONSORS

Amalgamated Meat Cutters and Retail Food Store Employees, Local 342  
 Associated Communities East  
 Associated YM-YMHA's of Greater New York  
 Association of Bronx Community Organizations, Committee on Aging  
 Beth Abraham Hospital Patients ("Community Voices")  
 Bronx Foundation for Senior Citizens  
 Brooklyn Section, National Council of Jewish Women, Council Center for Senior Citizens  
 Brotherhood of Sleeping Car Porters, Eastern Zone  
 The Catholic Charities of the Archdiocese of New York, Services for the Aging Unit  
 Central Bureau for the Jewish Aged  
 Citizens' Committee on Aging, Community Council of Greater New York  
 Congress of Senior Citizens of Greater New York  
 Daughters of Jacob Geriatric Center, Residents Council  
 Drug and Hospital Employees' Union, Local #1199  
 East Harlem Committee on Aging, Inc.  
 Federation of the Handicapped, PATH Program  
 Federation of Jewish Philanthropies  
 Federation of Protestant Welfare Agencies, Division on Aging  
 Furniture Workers Union, Local 76-E  
 Hebrew Home for the Aged, Riverdale  
 Hudson Guild  
 Jewish Association for Services for the Aged  
 Joint Board, Fur, Leather, and Machine Workers Union  
 Lower West Side Council on Aging, Project FIND  
 Lutheran Social Services of Metropolitan New York  
 New York City Office for the Aging  
 Presbyterian Senior Services  
 RCIA, Local 888  
 Riverside Church Tower League  
 The Salvation Army  
 Selfhelp of Emigres from Central Europe  
 Social Service Employees Union, Local #371  
 South Bronx Council for Senior Citizens  
 United Neighborhood Houses  
 West-Side Inter-Agency Council for the Aging  
 Wholesale, Retail, Office and Processing Union, District 65

Mr. YAEGER. Let me highlight, gentlemen, that our committee represents the principal sectarian federations, the City Office for the Aging (housed in the office of the mayor), the Citizens' Committee on Aging and the Congress of Senior Citizens of Greater New York.

We represent the leadership in the field of aging and disabled in New York City. We came together almost spontaneously during the past summer as a reaction to the regressive legislation passed by the New York State Legislature during its 1969 session. This was an expression on the part of older and disabled people and the agencies serving them that the reductions in the previously inadequate standards of public assistance and medical assistance (medicaid) were totally unacceptable and potentially tragic. Events since July 1, 1969, when these cuts went into effect, have more than justified our apprehensions.

As a result of our demands, a partial restoration of the cutbacks for the aged, blind, and disabled public assistance categories was announced by Governor Rockefeller late in September. His press release identified our committee as a significant factor in bringing about these minimal improvements. Quoting from the Governor's release: "The Committee of Aging and Disabled for Welfare and Medicaid has made a most compelling presentation of their concerns and I am particularly



pleased that we are able to demonstrate the State's responsiveness to such an approach."

Although the title of our committee suggests our primary concern with public assistance and medical assistance (medicaid), I feel that I must expand my remarks today to recommend the essential improvements necessary to Old Age, Survivors and Disability Insurance (OASDI), as contained in several of the bills now before your committee. There is an inextricable relationship between OASDI and public assistance in resolving the serious income maintenance problems of older people. In fact, I urge your committee to move even further in the direction of the expansion of OASDI or some other form of guaranteed income for the aged, blind and disabled to the point where needed income is provided through the establishment of a system of built-in benefits adequate for decent living.

Mr. Chairman, the No. 1 problem facing senior citizens in New York City is inadequate income. The extent and depth of the poverty of old age is one of the best kept secrets of our affluent society. Thirteen percent of the city's population, approximately 1 million New Yorkers, are persons 65 and older, living in the five boroughs. And the proportion is steadily increasing. Their median income (1960 census) was \$1,523. The major source of that income is from social security.

The total inadequacy can be seen by comparing that average income of \$1,523 with the poverty line of \$1,840 for an individual on welfare established by the New York City department of social services. The elderly person, who for the most part has worked diligently all of his life, has not and will not turn to welfare to raise his income to an acceptable level. Social security benefits must be raised to alleviate gross poverty among this minority group in the Nation.

The major cost items faced by an elderly person are housing, food, and medical care. For the first time in decades, residents of New York City are facing a monumental housing shortage, which is causing rents to skyrocket in every borough. Recent city legislation has slightly ameliorated the problem facing every city dweller. For the elderly population with fixed incomes, the suffering has been beyond comprehension. A great number have had their lives disrupted, causing pathetic disorientation, in their attempts to find substitute living quarters at rents they can afford to pay.

This committee is well aware of other dramatic increases in the cost of all of the basic necessities for survival. An elderly person suffers as no other every time bread and milk costs a penny more. Rising costs of medical care are second only to food in posing insurmountable problems for all on fixed incomes.

In New York medical care once offered through medicaid has recently been withdrawn from a large number, the exact proportion still to be determined by those administering the program in the city's department of social services. Now, those elderly people who may have been resistant to welfare but swallowed their pride to accept medicaid will have to pay the first 20 percent of any costs required, not including inpatient hospital care. For a clinic visit usually costing \$10, needed by many 2 or 3 times every week, this amounts to \$2 each. Many will go without meals to meet this necessity.

As the same time, the proposed hike in the cost of medicare is slowly bringing this social service in line with paid medical insurance. I urge that part B of medicare become a comprehensive medical plan

which will include preventive care and heretofore uncovered prescription drugs, dentures, earing aids, eyeglasses, and podiatry.

We also call—and this is not in the text—for elimination of the coinsurance and deductible in medicare. Aging persons—with the increase in part B which is just about to take effect, I believe, the first part of this year, was to be raised from \$4 to a little above \$5—aging persons will have to pay about \$66 a year for deductibles, plus a 40-percent hospital coinsurance fee, plus a 20-percent coinsurance fee for all non-in-hospital rates.

In addition, 30 percent of all aging persons will pay for private expenditures for health care.

I believe it is time that this Nation face the fact that its once-heralded social policies are turning into mechanisms for driving elderly persons deeper and deeper into the abyss of poverty.

It is obvious to our committee that the present administration has failed to reach the heart of this Nation's gravest current social problem, poverty of the older American. Programs that support our Nation's aging are inadequate and cruel. They demean our senior citizens by forcing them to obtain bare subsistence through patchwork of financial and medical programs, OASDI, old old-age assistance, medicare and medicaid.

The time has come to take the bold steps to revise the entire social security system. To this end, we support the principles embodied in the Gilbert bill, H.R. 14430, which calls for two 20-percent across-the-board increases in social security with a \$120 minimum benefit effective January 1972, which calls for a retired worker now averaging \$100 a month benefit to get, by 1972, \$144 per month, and the average benefit for an elderly couple would increase from \$168 to \$242 per month; also, the extension of health insurance coverage to the disabled and the extension of medical care coverage to include prescription drugs.

It will be a courageous first step in the reallocation of our national resources so that the aged, blind, and disabled may share the full richness of life in the United States.

Thank you, sir.

The CHAIRMAN. Thank you, Mr. Yaeger, for bringing to us the views you have expressed.

Any questions of Mr. Yaeger?

If not, we thank you, sir.

Mr. YAEGER. Thank you, sir.

The CHAIRMAN. Father Kennedy?

Father Kennedy, we appreciate your coming to the committee, and if you will identify yourself for our record by giving us your name, address, and capacity in which you appear, we will be glad to recognize you, sir.

#### **STATEMENT OF REV. ROBERT KENNEDY, CHAIRMAN, LEGISLATIVE COMMITTEE, CONFERENCE ON INCOME MAINTENANCE**

Father KENNEDY. I am the Reverend Robert Kennedy, the social action director of Catholic Charities of the Diocese of Brooklyn and chairman of the Legislative Committee of the Conference on Income Maintenance.



I would like to thank the committee for giving me this opportunity to present testimony evaluating H.R. 14173, the Family Assistance Act of 1969.

The group I represent is called the conference on income maintenance. It is a developing coalition of various social service agencies, welfare rights groups, and interested citizens from all walks of life. It includes among other groups the New York Civil Liberties Union, the Citizens Committee for Children, the Metropolitan Applied Research Center, the Americans for Democratic Alternative, the Metropolitan Chapter of the American Jewish Committee, the Columbia University Center for Welfare Legislation, Mobilization for Youth, the National Puerto Rican Forum, Interfaith City-wide Coordinating Committee Against Poverty, United Neighborhood Houses, Professionals for Change, the New York City Reform Synagogues, the New York Branch of the National Welfare Rights Organization.

The Reverend Carl McCall, the Chairman of this Conference and former head of the New York City Council Against Poverty, was to join me in testimony today but he is in New York at a press conference to protest the unfair and inaccurate report of the HEW on the public assistance program in New York City.

Now, to give testimony on the act, we would say that it has many worthwhile features, particularly as it establishes a right to a minimum family assistance by Federal statute, and this is important as the Solicitor General of the United States, Mr. Griswold, in a recent brief states that such assistance is not a right, but merely a privilege.

The act establishes the point that every American family as a member of the wider American family has a right to such assistance and help. It also stresses the maintenance of the father in the home and does not force the dissolution of families as a price for assistance. It delivers Federal support on a simple certification of need and does not require abject destitution before such assistance is given as it allows the maintenance of the home and real and personal property up to \$1,500.

It allows payments to working poor and promises job training and placement assistance. It indicates that day care will be provided.

All these are pluses and must be in any bill that is going to solve problems of poverty in our country. However, the bill does not go far enough. It does not include childless couples and individuals living alone who are under 65. Its stated purpose is to supply income that is "adequate to sustain a decent level of living."

Clearly, it does not do so.

The Bureau of Labor Statistics' lower living standard budget, which is described as the minimum standard for the maintenance of health, social well-being, the nurture of children, and participation in community activities, would be \$4,922 for a family of four. The basis for determining the line under which a person is in poverty is the economy food plan of the Department of Agriculture, under which people "can survive for short emergency periods of time under very special circumstances."

This is calculated at \$3,335. It is hard to see how \$1,600 is adequate to sustain a decent level of living when it is less than one-half of what is required to survive for short periods of time and less than one-third for a minimum standard for maintenance of health and social well being.



Speaking as a resident of New York City, the bill does almost nothing to assist the welfare problems of our city. No New Yorker will receive more money because of this bill. No additional funds will come into New York City to help pay its rising welfare costs.

The present welfare program in New York City is not doing its job under the most liberal benefits in the country because payments are still too low to allow a decent life. The cycle of dependency is reinforced by inadequate benefits that do not allow children proper clothing to go to school nor sufficient nourishment to function in school. It is the children of our cities that are paying the price for our lack of will to solve a problem they did nothing to cause.

Another aspect of the bill which shows a lack of concern for children is the provision forcing mothers to work whose children are in school. It would foster what is known in the ghetto as the latchkey child, children forced to live in the streets of the ghetto without supervision because their mother must work.

Children need care and yet the bill forces the mothers to deny that care to their children when they are over six. It talks of child care facilities, not because children need care but because it is presumed the American public wants their mother to work.

There are also serious defects in the bill concerning the way supplementary payments can be made by various States. It is important that they continue to maintain their present level of assistance. We have that sad history of the 1967 amendments that asked for a cost-of-living increase for people on public assistance by Federal law and the actual result that less than 10 States complied and payment cuts took place in many States.

In New York State people on public assistance have had their funds cut by 8 percent in the face of a 12-percent rise in the cost of living. When the President announced to the American public plans for family assistance contained in the bill, he announced a revenue-sharing plan for the States. Perhaps the best way to force State compliance would be to withhold their share of revenue sharing unless proper action is taken. Unless there is an effective way of forcing compliance, the attempts at new federalism will mean just that State continues to go its own way. It might be well, also, to spell out more clearly the relationship of Federal and State machinery in handling such State supplements. The law allows for State qualification procedures in addition to the simple Federal ones and allows the State to set up its own payment machinery in handling these payments. This could allow the discredited public welfare system back in again by the back door.

In its work incentive concept the bill takes a forward step in allowing a portion of a person's earnings for those people on assistance to remain in his possession. However, it makes presumptions about both the level of payment and the percentage of tax on money earned. At the present time the Office of Economic Opportunity is trying to test the best level of tax and payment by a series of research grants. The bill presumes that one-half of the poverty line is the best payment and a 50-percent tax on earnings is the best tax. Research certainly must be done as we really know almost nothing about the effects of payments on incentive to work. It is interesting to note that the only other 50-percent tax presently working in our country comes into effect only on earnings over \$52,000 a year and

the Internal Revenue Service is accused of choking off incentive with the higher tax rate at this level.

Questions must also be raised about what kind of jobs will be available and when the head of the family registers with the State Employment Service. A really comprehensive manpower program must be developed if this part of the bill is to have any meaning.

The Federal Government must recognize it has tremendous influence on the labor market and so has an equally tremendous responsibility. It cannot force men to work without also setting Federal standards of pay, working conditions, and, where it is a question of agricultural and migrant workers, adequate labor legislation. Perhaps the most overriding criticism deals with the presumptions of the bill rather than its substance.

It presumes people would rather live on a dole than work and so only gives them half of what they need so hunger will force them off it. It presumes people do not want a job or training and so sets up elaborate safeguards but does not create jobs. It presumes they do not utilize the State employment services because they are lazy rather than the practical nonexistence of such services.

People are presumed guilty and are "undersentence" in the language of the act while their case is under review and are denied benefits during that period. They are made nonpersons, not even members of a family, by definition for the purpose of the act.

My only fear is that the bill will be so written that it will make these presumptions become a self-fulfilling prophecy, proving you really can't do anything with these people who don't seem to share in the American work ethic.

I thank the committee for its attention.

I apologize for not supplying ahead of time a text of my remarks but I will do so and we will promise also that as the legislative committee of the conference develops its position a memorandum will be sent to the committee.

The CHAIRMAN. We appreciate having you, Father Kennedy, and it will, if you get it here in time for inclusion in the record, be inserted at this point in the record.

(The memorandum was not received at time of printing of the hearings.)

The CHAIRMAN. May I ask you a question?

You said that Father McCall could not be here because he is occupied elsewhere?

Father KENNEDY. Yes. A press conference is being held by a whole series of people in the social service profession in New York on the special review of aid to families with dependent children in New York City, the HEW study that was issued about 4 weeks ago.

The CHAIRMAN. Were you aware of the fact that that study was conducted jointly by the New York State Department of Social Services and the U.S. Department of Health, Education, and Welfare?

Father KENNEDY. Yes, sir.

The CHAIRMAN. As I say, it is not just an HEW study.

Father KENNEDY. Yes, I know there was collaboration although both Commissioner Ginsberg of the Human Resources Administration and Commissioner Jack Goldberg of the Department of Social Service



were very critical of the study and issued a critique of it that was rather devastating.

The CHAIRMAN. I am always critical of anyone who criticizes me, aren't you?

Father KENNEDY. Yes. There was a question of facts, though, that they were discussing, I think, in the criticism.

The CHAIRMAN. Let me get your opinion. You have been in this field in New York City for some time. I know you have worked hard in it and I recognize that you have established yourself as somewhat of an authority in the area. What is your belief of the reason for the increase in AFDC in New York City in a 3-year period, 1966-68, from about 92,000 families to 187,000 families? That is more than double.

Father KENNEDY. The results actually are a combination of many things. The availability of people who could get on public assistance increased in that period as shown by unemployment statistics. The studies done by the Bureau of Labor Statistics indicate that in the ghetto in New York City the average rate of unemployment or underemployment is over 33 to 35 percent depending which section you took. In other words there are large numbers of people out of work. Under the normal way our outmoded welfare system works if the husband deserts the family they end up getting more than if he stays there, and so we have the real breakdown of family life because of this specific condition. Unemployment, coupled with the demands for sort of separation if you are going to get on welfare, is one of the things that helped increase AFDC.

The other thing was that we always have large numbers of people who were always eligible for welfare but never got on public assistance. In other words, either a true evaluation of their condition in the sense of the job they held which would enable them to go and get more funds if they applied for home relief, or under the unemployed parent part of aid to dependent children at the present moment was not made. These things people weren't using because they always thought that things were going to get a little bit better but finally they began to realize they weren't and started to move on to welfare as a result of that.

The other factor, of course, is the increased activity of groups such as the national welfare rights organization that began to let people know their rights under welfare law under the Department of Social Service regulation. It is a strange thing that, for instance, the Social Security Administration, you know, advertises rather widely its rights and its benefits, "Make sure you come down and sign up because you are entitled to this." I have yet to see a poster in the New York subway say, "Come down to your friendly welfare office. You are entitled." And the welfare rights organizations are the ones who are giving this type of information and that, of course, would help to get people to realize their rights and to move on to family assistance payments and aid-to-dependent-children payments. It is a combination of increasing unemployment, it is a combination of increasing availability for people to get on welfare, plus the idea of people beginning to realize their rights under the present structures.

The CHAIRMAN. In conversations that I have had with Governor Rockefeller and with Mayor Lindsay, as I recall the conversation, the point that they made to me about this increase was the influx of people



from outside New York City, from outside perhaps even the State of New York, into New York City and that they were coming there because presumably New York City provided them with more of a welfare payment than they could get in their home area wherever it might be. Now, has that happened to the extent that it would be the prime factor in this increase or not?

Father KENNEDY. Naturally it is the mobility people coming in from the outside that have caused some of the problems but I don't think people come to New York basically because this is a way of getting on relief. It is still held up as the place you go to when you want to try to find a job.

The CHAIRMAN. I would hope that is the case. I am glad you said it.

Father KENNEDY. I think this is it: for instance, the statistics that show 7 million people have left farming since World War II. These 7 million people have migrated primarily to urban centers.

The CHAIRMAN. Looking for jobs.

Father KENNEDY. Looking for a job, and actually the problems of welfare in New York City are really what do you do with a 35-year old ex-farmer from one of the Southern States who is now in New York City whose skills are handling basic hand tools, how do you train him, how do you get him employed? He is a functional illiterate, very basically, because of the problems of education in some of the Southern States. It becomes a real nightmare when you try to get them a job in a very sophisticated city like New York City with job opportunities that have very high entry levels and require a great deal of almost prior training, prior skills.

The CHAIRMAN. You were aware, also, were you not, that the General Accounting Office was looking over the shoulder of both HEW and the State officials during this investigation?

Father KENNEDY. Yes.

The CHAIRMAN. Have you been made aware of the conclusions of the GAO with respect to these matters of ineligibility and eligibility?

Father KENNEDY. Yes, sir.

The CHAIRMAN. And overpayments and underpayments?

Father KENNEDY. Again it is working on a 543 case sample out of almost a million people on welfare.

The CHAIRMAN. The officials, though, said this sampling represented a very reliable cross-section of the entire operation and that conclusions as to the total situation in New York City could be properly based upon this number of cases.

Father KENNEDY. I am just maybe too much of a statistician. When you use that small a base in such a large population your degree of error that is possible is extremely high and almost invalidates the sampling process.

The CHAIRMAN. Sometimes the Gallup poll can miss an election, that is true, but their percentages pretty well hold up as they are getting more experience, I guess, in knowing how to conduct it.

I am like you. I don't put full faith in an examination of a few cases compared to a great number of cases, but it is interesting if you look at the cases that they examined to see just what would happen. It is further interesting to me to know that in the beginning there was no intention to even correct these few cases that were brought to the attention of the people operating the program in New York City.

Then HEW had to tell them that those cases at least had to be adjusted.

Father KENNEDY. The number of cases where adjustment was worked as far as ineligibility ended up being 35 cases that they thought were ineligible, 35 of which the city said they are either eligible under the aid to dependent children or home relief, and it is your category system that is causing the confusion rather than anything else. As far as the other number of people in this sort of total overpayment-underpayment type of thing, Commissioner Ginsberg disputes it and also when he says when you get the dollar figure for the error you are working on one-tenth of a percent. It is his way of understanding and looking at the problem of this particular over-underpayment operation.

The CHAIRMAN. The HEW report, I think, estimated about 9.7 percent of the total cases being ineligible. Now, the GAO says 10.7 percent and that 34.1 percent of the families received overpayment, and 14.9 percent of the families were underpaid.

If I operated a business on that kind of a basis, I don't know how long I would remain in business. My customers who were being overcharged would certainly take care of me pretty quickly, but the significant thing about it all is that the amount of these incorrect payments on a monthly basis projected for the total population on the program in New York City, is \$31½ million. The overpayments amount to \$2.8 million, the underpayments about \$389,400 a month. Now, when you add up and subtract all of that, you come to an overall annual figure of excess payments of around \$70.9 million a year and the reason why we are concerned is because the Federal Government is footing half the bill. We don't like to raise taxes here, and have the proceeds of those taxes given to people who are not eligible under the law to receive them. So that is why we are concerned.

This is only the beginning of where these checks are going to be made. They are going to be made in other centers. They are going to be made in rural areas as well, because I have a feeling that at the local level they are not raising enough questions about persons' eligibility for these programs but are just putting them on the rolls because they asked to be put on. To me that is not the way to operate welfare.

I am sure you would agree.

Father KENNEDY. I would agree.

The CHAIRMAN. Any further questions?

Mr. Bush?

Mr. BUSH. I just want to be sure I understand. I thought you said, sir, that under this bill no recipient in New York would be better off. Was that correct?

Father KENNEDY. This is the projection as I understand it, when the bill was looked at locally. The State base at the present moment is so "fairly adequate" in comparison to anything else that people under welfare would actually get almost nothing in addition in New York City or New York State.

Mr. BUSH. So this whole concept of family assistance and working a guy's way off of the welfare rolls would have no bearing on New York?

Father KENNEDY. Not at this level. In other words, it is a good idea if the ability to go in with a higher base were present. In doing that, I am not so sure whether the people who worked up the statistics on it

looked at it's income rate with the incentive earnings added to it. They were looking, I think, mostly at the idea of what the base is without the incentive.

I am not quite sure exactly how they function with them added in. I could go and have our economists do some checking on that.

Mr. BUSH. I think you will find the incentive thing will add. I am not sure.

But, thank you, Mr. Chairman. That is all I have.

The CHAIRMAN. Any further questions?

We regret that Father McCall could not be here, but tell him we appreciate the fact that he sent such an able substitute.

Father KENNEDY. Thank you.

The CHAIRMAN. Thank you, Mrs. Kinoy. If I haven't pronounced it right, you do so in the process of identifying yourself for our record.

**STATEMENT OF MRS. SUSAN KINOY, PROJECT DIRECTOR, HOME HEALTH AND HOUSING PROGRAM, CITIZENS COMMITTEE ON AGING, COMMUNITY COUNCIL OF GREATER NEW YORK**

Mrs. KINOY. Thank you.

My name is Mrs. Susan Kinoy, project director of the home health and housing program, Citizens Committee on Aging, of the Community Council of Greater New York. (This program, funded under the Older Americans Act, was established to plan increased services to older people in their own homes as well as housing for the elderly.)

The CHAIRMAN. We appreciate having you with us. You are recognized.

Mrs. KINOY. Thank you so much, sir.

I speak today for the more than 19 million aging persons, 65 and over, the vast majority of whom live in their own homes, outside of institutions, either alone or with a spouse. Many of these elderly persons, who have contributed over the years to our economy and to our society, are now afflicted with illness. They wish to remain in their own homes, in familiar surroundings and out of institutions for as long as possible. It is our responsibility, for financial and humanitarian reasons, to help our aging to achieve this goal.

I am not here today, as most of the other witnesses have been, to give testimony concerning President Nixon's proposals for comprehensive new plans for public welfare. Nor am I going to discuss major changes in social security, either monetary or health benefits. The Citizens Committee on Aging of the Community Council of Greater New York will be presenting testimony on those subjects, and it will be mailed to you, sir. (See p. 757.)

The CHAIRMAN. They will want to include it in the record, will they not?

Mrs. KINOY. Yes, sir, they will. It will be sent in time for inclusion.

The CHAIRMAN. Let us put it in the record, then, without objection at the conclusion of your remarks.

Mrs. KINOY. Thank you.

I come before you today only to support a minor change in medicare, title XVIII of the Social Security Act, one that could save our country millions of dollars in the cost of medical care and an



effective way of alleviating the critical shortage of institutional beds. We call for the addition of home maintenance or housekeeper service to the spectrum of home health services for aging patients in their own homes.

Medicare has provided some needed health services for our senior citizens with acute illness. It has helped to pay for hospitalization, outpatient care, and some health services in the patient's own home. Yet only about 1 percent of the total costs of medicare are utilized for home health services, which is often the least expensive form of medical care.

It has been demonstrated that the cost of hospitalization may be at least twice as much and often many times more costly than home care. The Associated Hospital Service of New York has demonstrated that for 2,000 cases studied in depth, combined reductions in the costs of illness made possible by home care amounted to more than \$1 million. When classified by age, it was shown that the older the age group, the greater the average reduction in cost. (Home Care Following Hospitalization, Associated Hospital Service, New York City, published in 1969. It should be clear that studies such as this and others do not take into account the effects of our proposal for the addition of home-maintenance service to the spectrum of home health services. Thus, there is no means available at this time to measure finitely the effects of our proposal on the total medicare program.)

Since this is the case, we ask, "Why has only 1 percent of the total cost of medicare been utilized for home health services?" A partial answer, we think, is that help with household chores is not readily available between the visits of the health professionals. In other words, it is impossible to keep an older person in his own home between the visits of the doctor and the nurse and the social worker if there is no one to help him with his household chores. Therefore, the patient often cannot avail himself of home health services, a less expensive form of health care.

It is our contention that if home maintenance or housekeeper services—including help with housecleaning, laundry, cooking, and shopping—could be furnished to an aging, sick person in his own home as a part of a medical plan, this would not only cut down on the extended utilization of high-cost hospital beds but would permit more older people, eligible for home health services under medicare, to take advantage of these services.

When you passed the important medicare legislation in 1965, you stated—and I remember hearing this many times—that you did not wish to pay for maid service for older people. You did provide, wisely, for home-health aids to assist the doctors, nurses, social workers, physical therapists, and occupational therapists to care for the aging, sick person in his own home. The home-health aid, however, may not provide home maintenance care unless it is in addition to personal care, such as helping a patient with toileting, feeding, ambulation, getting in and out of bed, bathing, et cetera.

Some older person with acute illness, in order to remain in their own homes, only need help with home maintenance chores such as housecleaning, laundry, and cooking, in addition to the care provided by doctors, nurses, and other health professionals. In other words, there are times when a patient may not need "personal care."

The argument has been made that the addition of a new service to the package of home-health services would make the home-health plan too expensive. There is only one answer to this. Even if payment for home maintenance, domestic service—the cheapest form of home-health service—were added, thus slightly increasing home-health costs, this additional small expenditure would be minimal compared to the expense of keeping aging persons for longer periods of time in expensive hospital and institutional beds.

We, therefore, strongly urge that this committee approve a bill that you have before you, H.R. 13139, sponsored by Hon. Jacob H. Gilbert, of New York, and 15 other Congressmen, which calls for the authorization of payments for home-maintenance service to individuals in their own homes by a certified home-health agency as a part of a medical plan.

The addition of this service to the spectrum of home-health care could provide our senior citizens with a more realistic choice between health care at home in familiar surroundings and institutionalization, which is feared by many, which should be postponed as long as possible, and which is much more expensive for the insurance beneficiary and for the taxpayer.

We urge passage of H.R. 13139 because it can provide an inexpensive, appropriate form of service without lowering standards of medical health care.

The CHAIRMAN. We thank you for your very fine statement. We appreciate your coming to the committee.

Mr. Gilbert?

Mr. GILBERT. I would like to welcome Mrs. Kinoy to the committee.

May I ask you, Mrs. Kinoy, what do you estimate is the cost of this program, assuming that this were added to the social security bill?

Mrs. KINOY. We tried very hard to come up with figures on this, and we were unable to do so. We can quote to you costs on home care in about eight or nine different communities, but we do not have hard data on the cost of home-maintenance or housekeeper services as yet.

Most people know in their own experience, however, that the cost of a domestic worker, of a housekeeper, is certainly much less than the cost of a more highly trained person who has more responsibility.

Mr. GILBERT. Do you think you might have those figures available at a future date?

Mrs. KINOY. Yes, I do, and we will be glad to supply them.

Mr. GILBERT. Would you supply those figures for the record?

Mrs. KINOY. We certainly would. Thank you.

Mr. GILBERT. Thank you very much.

The CHAIRMAN. Any further questions?

If not, again we thank you.

Mrs. KINOY. Thank you.

(The following was received by the committee:)

OCTOBER 30, 1969.

HON. JACOB H. GILBERT,  
*House of Representatives, Rayburn Building,*  
*Washington, D. C.*

DEAR CONGRESSMAN GILBERT: This is in response to your request for data re costs of home maintenance (housekeeper) service to be added to the spectrum of home health services by H.R. 13139 under Title XVIII of the Social Security Act.



Home maintenance or housekeeper service is the least expensive type of home health service. The rates for home health aides in New York City are now approximately \$5.25 per hour. The rates for homemakers in New York City range from about \$4.00 to more than \$5.50 per hour. These rates include the cost of fringe benefits, administration and supervision.

We repeat, home maintenance or housekeeper service is a much less expensive service.

You will be interested in knowing that the New York City Department of Social Services proposed the following to potential agency vendors of housekeeping service. The Department of Social Services would pay the vendors \$3.00 per hour from which the agency would pay the housekeeper \$2.20 per hour plus carfare. The total cost of wages and fringe benefits would be \$2.50 per hour. The estimate was that the average housekeeper would have a take-home pay of \$2.00 per hour including carfare. This would allow 50¢ per hour for administrative costs.

This proposal is being amended because New York City has just agreed to a minimum \$2.50 per hour wage for all agencies doing business with the city.

We have been giving the matter of cost analysis as it pertains to H.R. 13139 considerable thought and have done some exploration with authorities in the field. There are no current figures that can be used to document costs, (including potential savings), both because of the complexity of the problem and because of the rapidly escalating costs of medical care.

To illustrate, there have been studies which show that up to 30% of general hospital beds in a particular community at any one time are used unnecessarily. That is, a less intensive form of care could be used. The costs that have to be compared here are: (a) hospital costs which vary considerably both within a community and nationally; and (b) the alternative forms of care.<sup>1</sup> It is to be noted that costs for the aging in hospitals when they are receiving only custodial care, not a battery of services for acute illness, is less than the average cost per patient.

Home Health service costs will vary depending on many factors—what professional services are included, not only physicians, nurses and social workers but physical, speech and occupational therapists. These costs vary geographically and also in relation to the health professionals that are available.

Another important variable in home health costs may be the expenses for the trained Home Health Aide or housekeeper. Since these services have never been available to the extent needed in any community, no cost analysis is possible.

The key problem is that often the whole range of home health services are not made available to the patient because there is no one to help the patient with the household tasks, between the visits of the professionals.

The following statement is made in the June 1969 edition of the National Council of Homemaker Service News:

"If more homemakers were available, more patients could be discharged sooner, from hospitals. Across the country savings of 1 billion dollars a year could be realized if every hospital patient were released just one day earlier".

For your information we also quote from the *Position Paper* on Home Care formulated this year by the New York Metropolitan Regional Medical Program.

"In what we refer to today as our medical care system, perhaps the least known element with the greatest potential is home care.

After over 100 years of experience, our acute general hospitals have developed into complex, intricately balanced and exceedingly costly institutions, specifically designed and staffed for the care of the acutely ill. In many instances, because of lack of alternatives, patients are frequently required to stay in these institutions when appropriate care equal to their needs could be just as well provided in much less complex and costly surroundings, such as extended care facilities, intermediary or domiciliary care homes, or care in the home. Today's spiraling costs of hospital care emphasize the need, more than ever before, to think of the hospital not as the last word but the last resort, whose unique capabilities must be zealously protected from inappropriate utilization.

The magnitude of the economy which might have been realized by shortening by just one day, the hospital stay of the 5-million admissions to acute general hospitals which occurred during the first year of MEDICARE is worthy of consideration. At a national average of \$50 per diem we arrived at ¼-billion dollars. If we add \$10 per day for professional care and to this the as yet unknown, but equally as great, number of hospital admissions under MEDICAID, we are

<sup>1</sup> These alternative forms of care might be an extended care facility, a nursing home, a home for the aged, a foster home or home health services.



talking about a saving of  $\frac{1}{2}$ -billion dollars per year simply through the elimination of a single day per admission per year. Yet reliable statistics confirm the fact that at any given time 15% to 20% of the occupants of acute general hospital beds, when properly selected, can be taken care of just as well in their own homes when adequate home care is available.

The Bureau of Health Services of the U.C. Public Health Service has recently developed some interesting statistics in preparation for Congressional consideration of the Hill-Harris (formerly Hill-Burton legislation).

The inappropriate use of existing facilities adds needily to our current total medical bill. The needless hospital admission for diagnostic test, because of inadequate insurance coverage for the same tests on an ambulatory basis, is an example. The size of this waste can be estimated when it is appreciated that the simple transfer of misplaced patients from acute hospitals to nursing homes would reduce estimated need for acute beds by 316,981 in 1970 or construction costs of \$50,000 per bed of  $15\frac{3}{4}$  billion dollars. This is not taking into consideration the additional savings of the added 15% to 20% of patients in acute general hospitals who could just as well be taken care of by personal providing care in the home."

Another complexity in cost analysis is the fact that the cost to the community for a potentially indigent person may include not only his medical care but his maintenance costs for food and shelter, etc.

We also quote from "Needed: New Approaches to Providing Nursing Home Care" by William S. McNary.<sup>2</sup>

"Many believe that there is an urgent need for more acute care hospital beds. I happen to agree with Odin Anderson, Ph.D., professor and associate director of the University of Chicago Center for Health Administration Studies, who holds that the 740,000 general hospital beds we now have are sufficient and that the resultant bed-population ratio should be maintained, not increased. Anderson says that hospitals currently are adding 20,000 beds annually against a need for only 11,000. If they build those 9000 extra beds every year, today's construction arithmetic shows that hospitals will be wasting \$300-million a year in capital investment. These 9000 surplus beds, in turn, will call for the expenditure of perhaps \$200 million a year in operating expenses—a situation that will be even more wasteful than the capital expenditure because it will make scarce manpower even scarcer and more costly. If hospitals remain silent and permit the purchase of these unneeded general hospital beds, the blame for this waste of money can largely be laid at their door. They must, instead, propose, plan, and produce a thrifty alternative.

#### IMMENSE JIGSAW PUZZLE

In searching for alternatives, the complexity of the health care puzzle—and there are hundreds, perhaps thousands, of facets to this immense jigsaw puzzle—is often intimidating. Virtually every piece of the puzzle has been the subject of a study by professional groups, government commissions, academic bodies, ambitious individuals, and interested citizens. It is hardly possible any more to wash a sheet, serve a dish of gelatin dessert, or administer an aspirin without participating in a study. And each study has produced recommendations—in fact, usually a rather long list of recommendations—which, typically, are couched in very broad generalities."

"If all major hospitals operated nursing homes and participated actively in home care, there is every reason to believe that the result would be a comfortable surplus of acute general hospital beds and that needed care would be rendered much more economically."

We strongly recommend a comprehensive major national study by an organization with the necessary resources such as the Brookings Institute or H.E.W. itself.

Without a comprehensive demonstration and study, we are in no position to estimate the exact cost of adding home maintenance (housekeeper) personnel to the home health team. However, we reaffirm that:

- (1) The least expensive form of home health services is home maintenance (housekeeper) service:
- (2) All home health services are under-utilized; they consist of about only 1% of all Medicare payments.

<sup>2</sup> Trustee, Journal for Hospital Governing Boards, published by the American Hospital Association, October 1969.

(3) If home maintenance services were added to the home health spectrum, it would increase the total volume of all home health services delivered, thus increasing the total cost of home health services. However, on an average, this increase in cost would be far less than the comparable cost of institutionalization.

Please feel free to attach this letter to our testimony before the House Ways and Means Committee. We hope this will be of help to the Committee in its deliberations.

In conclusion, we repeat that we whole-heartedly urge the passage of H.R. 13139.

Sincerely yours,

(Mrs.) SUSAN K. KINOY,  
*Project Director.*

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NURSING SISTERS HOME VISITING SERVICE, INC.,  
*Brooklyn, N.Y., November 7, 1969.*

Congressman WILBUR D. MILLS,  
*Chairman of the Ways and Means Committee,*  
*House of Representatives,*  
*Washington, D.C.*

DEAR MR. MILLS: I have before me the testimony presented by Mrs. Susan K. Kinoy, Project Director of the Home Health and Housing Program, Citizens Committee on Aging of the Community Council of Greater New York, before the Committee on Ways and Means, House of Representatives on October 22, 1969 re; support of HR 13139.

I wish to support her stand regarding the feasibility of providing more funds for Home Health Services. The accent on Institutional Care has failed to meet many multiple needs that can be supplied to a patient at home. This provision for home care not only is often more beneficial to patients health and well being but prevents costly and prolonged institutional stays.

Thank you for your interest.

Sincerely yours,

(Sister) FLORENCE ENGLISH,  
*Director of Nursing Services.*

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STATEMENT OF JERRY A. SHRODER, EXECUTIVE SECRETARY, CITIZENS' COMMITTEE ON AGING, COMMUNITY COUNCIL OF GREATER NEW YORK

The Citizens' Committee on Aging of the Community Council of Greater New York is delighted to have the opportunity to submit a statement to the Ways and Means Committee in connection with the current hearings conducted by the Committee. This is submitted in lieu of a personal appearance before the Committee. Our comments will deal primarily with improvements in the Old Age Survivors' and Disability Insurance program and in Title XVII ("Medicare"). In addition, we have a proposal of our own which is not now included in any legislation that we are aware of.

Our task in seeking improvements in OASDHI coverage has been rendered considerably easier in recent week by the introduction by Congressman Jacob H. Gilbert and more than 50 co-sponsors of H.R. 14430. We want to be on record as endorsing this bill as the measure coming closest to our perception of needed changes of those we have yet seen. We feel, however, that it can be strengthened in several respects which we will outline below. We hope, therefore, that the Committee will see fit to report this bill favorably (with modifications) to the floor of the House at your earliest opportunity.

OASDI BENEFITS

It is manifestly necessary to provide the increases in benefit levels by at least the amounts proposed in H.R. 14430. The small increments included in the Social Security Amendments of 1967 have already been eaten away by increases in living costs. The compromise in 1967 that resulted in the minimum benefit of \$55 per month has been particularly inadequate. Aside from the obvious inappropriateness of such amounts as a basic income floor, the wide variety in the administration of State Old Age Assistance programs subjects the elderly poor to the whims of the often degrading public assistance programs that characterize many of our States.



We find it disgraceful that so many older Americans are still dependent on this public assistance mechanism. As if being on public assistance were not difficult enough, we hasten to point to the oft-reported fact that many older people will live virtually in starvation rather than subject themselves to the indignities of applying for Old Age Assistance. The significance of this was brought home to us forcefully earlier this year by a Task Force Working Paper prepared for the Senate Special Committee on Aging. That carefully documented report is perhaps the most damning collection of evidence yet submitted on this subject. Among other things, it reported that while three out of ten older people were living in poverty in 1966 and a fourth was on the borderline (a much higher percentage than for the remainder of the population), *many of these did not become poor until they became old*. Thus, our society has somehow managed to pervert the meaning of retirement and old age into a period of trauma and horror instead of the repose and relatively worry-free post-employment years to which we all aspire.

Because we feel so deeply concerning this, we would like to establish a basic principle. We were pleased to learn that the Social Security Trust Fund is healthy enough to warrant the kind of bill before you in the form of *H.R. 14430*. However, we don't think the basic maintenance of our almost twenty million older people should be dependent on the state of well being of the Trust Fund. Therefore, we urge upon you as strongly as we can to establish meaningful standards for older people (e.g., a minimum income of \$150 per month for persons living alone and \$250 for older couples) without regard to the insurance principle. If this requires appropriations from general revenues, it is most important that this step be taken. If such a system were instituted, it would go a long way towards eliminating poverty among our older people; it would virtually supersede the unhappy administration of the Old Age Assistance program; and it would allow us to say, at long last, that retirement had some prospects of acquiring a positive connotation for most older (and about-to-be older) Americans.

It is also important that there be cost-of-living increments built into the benefit structure. However, under no circumstances should such increases be included as a substitute for bringing the basic benefit structure up to decent income levels. In this connection, the two-step proposal for benefit increases contained in *H.R. 14430* is an absolute minimum.

Another area in which we have failed to keep abreast of realistic needs is that of the death benefit. The maximum allowable benefit has been frozen at \$255 for many years. Originally this was based on the monthly benefit structure in effect at the time. The death benefit, for some reason, was not increased as increases in the general benefit structure were effected. The \$500 maximum proposed in *H.R. 14430* is much more realistic and long overdue.

One area in which we feel the bill did not go far enough is that of the earnings test. It is a cornerstone of the philosophy of our Committee that older people should have viable choices in all functions of daily living with which they are confronted. It is a measure of our failure as a society that we haven't been able to provide these adequately in many areas, of which housing and employment are outstanding examples. It has been our experience that the largest volume of expressed concern from older people themselves, with the possible exception of the benefit structure itself, has been in the area of the limitations on their earnings. With more and more people living longer, retaining their vigor and physical capacity to be productively employed longer and facing the problem of constantly increasing living costs, we feel it would be much more realistic to allow the older person to earn up to \$3,000 per year or \$250 in any given month before any reduction formula is applied to his benefits. Above this amount, we suggest the withholding of \$1 for every \$2 earned for the next \$1,500 (up to \$4,500) and \$3 withheld for every \$4 earned above \$4,500.

An acceptable alternative to this approach would be to set a ceiling on combined earnings and benefits which would have the effect of allowing beneficiaries near the lower end of the benefit scale to earn more than those at the upper end. This would achieve the desired social goal of facilitating a higher total annual income for all recipients, with minimal effects on the Trust Fund. At the same time, it would be a most helpful to those at the lower end of the income scale, where the need is greatest.

As an example, assume a ceiling of \$5,000 of combined earnings and benefits. The individual receiving an OASDI benefit of \$80 per month could earn up to \$4,040 without adversely affecting his monthly check. The individual receiving \$150 per month would be allowed to earn up to \$3,200 before there would be any modification in his benefit.



Both of the above approaches will greatly benefit the older person himself in ways which are psychic as well as monetary. We also believe this will be helpful to the general economy, by increasing the limited purchasing power of many older people.

We have one other important consideration for your attention as it relates to increased benefit levels. The Social Security Act is apparently permissive with respect to the freedom of the States to budget OASDI benefits as income chargeable against public assistance budgets. That is, many States, New York included, simply deduct OASDI increments from Old Age Assistance recipients' grants. Thus, older public assistance recipients in those States never receive the benefit of whatever OASDI increments are enacted into law.

We have tried, but have not been successful, in convincing the State of New York to reverse this practice. We know that similar efforts have been made in other States. Under the circumstances, it seems to us that the Congress should be more restrictive with respect to the State options on this matter.

#### "MEDICARE"

The enactment of Title XVIII by the Congress in 1965 was a landmark in social legislation, not only for older people but, we believe, for everyone in our country. It was the first step towards a system of governmental health insurance for our entire population. Ours is virtually the only western society which does not yet have such a program. It seems to us that inevitably we will and must have it.

*H.R. 14430* takes the first step in broadening this base to include the under 65 disabled who have established eligibility for Disability Insurance or related coverage. We applaud and support this step.

However, we must acknowledge that the early years of the administration of "Medicare" generally has been fraught with problems, both in terms of the adequacy of coverage and the administration of the program itself. We have found that the deductible and co-insurance features work a severe hardship on many older people. The gradually increasing costs of Part B to the participant are regrettable and frequently beyond his capacity to pay. This will be increasingly true if, as we were advised by Commissioner Ball recently, the premiums for Part B will be increased to more than \$5.00 per month in 1970.

At the very least, we call for the elimination of the monthly premiums now required of elderly participants under Part B. If the costs of absorbing this cannot be met from the Trust Fund as it is currently funded, additional appropriations should be made from general revenues until such time as the increased wage base deductions from employers, employees and the self employed can begin to absorb these costs.

If the services obtained by older people under Title XVIII are to be meaningful, out-of-hospital drugs must be included in their entitlement. The absence of this coverage heretofore has been a major problem in the health care of our older population and a major shortcoming of Title XVIII. We would go beyond *H.R. 14430* and provide these prescriptions without benefit of the one dollar (\$1.00) co-payment required in that bill.

The Citizens' Committee on Aging is particularly concerned, following three years of concentrated project activity, with what we view as serious weaknesses in the Home Care provisions of Title XVIII. We believe that not only was the initial definition of Home Care somewhat limiting, but the Federal and State interpretation and administration of the statute has been so restrictive as to seriously hamper the original legislative intent. This is particularly disturbing in view of the potential which the Home Care program affords for accomplishing many desired ends, i.e., enabling older people to remain in their own homes, finding less expensive forms of care than those represented by sky-rocketing institutional care costs, etc. Initial "Medicare" report figures indicate that something on the order of 1% of all "Medicare" outlays during its first few years have gone to home care costs. We suggest that this was not the Congressional intent. Further, there is every indication that the rigidities of the home care program are being further tightened and services further curtailed administratively.\* We think this is unconscionable in view of the pressures on our institutions and the need for services of all kinds.

\*See U.S. Department of Health, Education, and Welfare, Bureau of Health Inc., Intermediary Letter # 395, August 1969.

One solution to this problem would be to enact *H.R. 13139*, which would add Home Maintenance (Housekeeping) services to the program and thus allow large numbers of older people to remain in their own homes through the provision of such services as shopping, meal preparation, etc. For a more detailed discussion of this problem, we refer you to the testimony of Mrs. Susan K. Kinoy, Project Director of our Home Health and Housing Program, who appeared before you in support of *H.R. 13139* on October 22.

#### ASSET RETENTION PROPOSAL

We would like to call your attention to one more area which we think requires change. Our concern is with the eligibility criteria established for "Medicaid" and public assistance applicants who are over 65 (or blind or disabled). It is our understanding that the Social Security Act specifies that there cannot be different eligibility levels for the same program within an administrative jurisdiction. We think that this should be modified in at least one particular. We would like to suggest to the Committee that the question of asset retention (savings) as an eligibility criterion differs in its implications for those who are in the labor market and those who are not. Specifically, families with a bread winner or potential bread winner have opportunities to recoup depleted savings. Retirees or disabled persons who have no further access to the labor market, can, by and large, never recoup their savings.

Therefore, we believe there is a justification for a differentiation in eligibility levels based on the above logic. Most older people find it extremely difficult to consider expending their meager savings in order to become eligible for medical assistance (or for that matter, public assistance). We have evidence to support the observation that the prospect of loss of savings is so threatening to large numbers of older people that they never apply for public assistance or medical assistance, even at times of great need.

We have proposed on several occasions in recent years that a differentiation be established in recognition of the realities of the income potential of applicants. This suggestion found favor with George K. Wyman, Commissioner of the New York State Department of Social Services. In a 1968 communication, Commissioner Wyman wrote:

"I believe it would be helpful should the Congress amend the statute to permit variation in assets for people over age 65. These would be different from those in the work force. One recommendation along this line might be to permit elderly persons to have twice as much in the way of liquid savings as an individual still working, on the assumption that the employed person can always replenish his savings through his continued employment, while the retired person once having depleted his savings has no way to recoup."

We feel that this proposal reflects a reality which has not heretofore been taken into consideration. We would be pleased to pursue this further with the Committee.

The areas for which your Committee has legislative jurisdiction are not only vast, but of the utmost importance to everyone. We appreciate the opportunity to have been able to present our views in the areas with which we are primarily concerned. While we do not envy the task confronting you, we hope it will be possible for you to give primary consideration to those areas that directly affect the well-being of people. For our part, we will be happy to be of any further service that will assist the Committee in dealing with its responsibilities.

The CHAIRMAN. Our next witness is Mr. Tomko. We appreciate having you with us today, sir, and if you will identify yourself for the record, giving your name and the capacity in which you appear, we will be glad to recognize you.

#### STATEMENT OF ANTHONY TOMKO, PRESIDENT, UNITED STEELWORKERS OF AMERICA, LOCAL 1408

Mr. TOMKO. Mr. Chairman and members of the committee:

My name is Anthony Tomko. I am president of local 1408, United Steelworkers of America, McKeesport, Pa.



The CHAIRMAN. We are glad to have you with us, and you are recognized.

Mr. TOMKO. Thank you.

I appear here representing 4,700 steelworkers directly and every worker indirectly who yearns for the right to pursue happiness without the fear of any financial insecurity.

We take the position that 30 years of hard labor is enough of a penalty for the productive worker to pay for being born in the labor class. We agree the expenses of a service may demand a greater percent of economic liability. But who could rationally defend in a country, where all people are supposed to be guaranteed equality, then are denied this by those in government who profess to represent them—who can practice such hypocrisy as to say that the mind and body of our representatives require a greater need of our economic output to nourish such mind and body than does the mind and body of those they serve when retirement becomes the determining factor?

We have no other choice but to judge the facts and conclude that even in retirement our public servants set themselves off as some elite class, whose contempt for the productive worker that has nurtured him at his productive breast, finds himself a bastardly product as a result of an intercourse of economic "self-grandization." If class distinction as practiced by separation carries into retirement, it creates an unbearable situation of contempt for the productive worker, until death once again stills this class hatred and labor and wealth dwell once again in the serenity of equality.

Yes, Nature, who mothered us all on this earth, has set up equalization standards that she demands at birth and death. But man denies this is so in his acts, believing he is some kind of Messiah who suppresses the products, giving to himself in ruthless determination more than he needs and to others substandard survival.

If this be true, then the word "equality deserves another meaning, and those in office who represent him have failed miserably.

If monuments are built to those who predicate and continually nourish such blind injustice to the productive worker, then the scales of justice are unbalanced. The fact a productive worker was born into the labor class does not justify he perish as such.

Automation can be the magic key of equalization and justice, but there are those who still would deny him the blue grass at retirement that they would not deny their animal. Industry has recognized the need of early retirement after 30 years, regardless of age. We now ask our honorable and distinguished Senators and Congressmen to release the productive worker of this burden by granting him full Social Security after 30 years, regardless of age.

We compliment those who have pursued an adequate increase. We compliment those who have pursued the need of the much desired cost-of-living attachment, though a standard of living based on the gross national product would compliment it more. We will say "well done" when our representatives rally around this additional need in the Social Security bill.

History has shown time and time again that an affluent nation must ascend into a period of renaissance with its leisure and magnificence. We are fast approaching such a period. The productive worker should not be required to suffer under such a period but should at last be able



to pursue the life, liberty, and the happiness guaranteed under our Constitution.

The CHAIRMAN. Thank you very much, Mr. Tomko, for coming to the committee and giving your statement.

Any questions?

Thank you, sir, very much.

Mr. TOMKO. I thank you, sir.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. Dr. Hodes, we welcome you here to the Committee on Ways and Means.

May I say for the benefit of the record and for the benefit of my fellow committee members that Dr. Hodes is a medical doctor from my city of Tampa. He serves in the Florida State Legislature. He is Chairman of the Committee on Welfare and Public Service.

He has distinguished himself in his legislative record by his very enlightened attitude and his very realistic attitude toward social and welfare problems, and I appreciate the fact that he has come all the way to Washington today to help this committee with its vexatious problems.

The CHAIRMAN. We do appreciate your coming, Dr. Hodes, because you can be very helpful to us in both your capacity as a medical physician and as the chairman of the committee of your legislature that handles the very matters we are talking about today.

#### **STATEMENT OF DR. RICHARD S. HODES, CHAIRMAN, COMMITTEE ON PUBLIC HEALTH AND WELFARE, FLORIDA HOUSE OF REPRESENTATIVES**

Dr. HODES. Thank you very much, Mr. Chairman and Congressman Gibbons.

I came to speak with the committee primarily as a result of the fact that the Committee on Public Health and Welfare of the Florida House, pondering the proposals of the President and reviewing them carefully, voted a resolution, which was forwarded to appropriate Members of Congress, supporting those proposals of the President in general, with the addendum that the suggestion of the committee was legislation which implemented these proposals would maximize the opportunities for State administration.

Since that time, only very recently, however, I received a copy of H.R. 14173, which essentially embodies the proposals of the President, and I have certain comments I would like to make in relation to this bill indicating first my personal support of the bill and also a support of the case for State administration.

I would like to point out that the States of the Nation, which have had the opportunity to enjoy the advantages of legislative reapportionment, have essentially changed their character and structure a great deal, so much so that I believe they are in a much stronger posture now to administratively handle their affairs successfully in meeting the needs of the entire population of the States.

The reapportioned Legislature of Florida itself is ready at this time to establish programs to meet the needs of the people of Florida. The health and welfare committee of the house in particular and its staff is set up in such a way that it is prepared to work with and

maintain very careful surveillance of the State executive agencies. And at the same time the committee has developed excellent lines of communication with both the Members of Congress and the Federal executive branch in order to develop and to implement programs to meet the needs of the people of the State of Florida and the Nation-at-large if our advice is of value.

Now, of course, being a State legislature, we do work within a certain framework, which is somewhat restrictive, although, of course, advantageous. The framework in which we work is that of our State constitution, which has its limitations, as it should. We work within the framework of our local governmental structure and the population distribution in our State, and we also work within the framework of the limitations of the economy of that particular State.

One of the examples of the success of the Legislature of Florida in recent years in developing its own programs has been an extensive executive reorganization within the State of Florida, which has been an entirely legislative process. It came about entirely as a result of legislative research and legislative action. As a result of this, in the field in which we are interested today, in the field of health and rehabilitation, we established the Florida State Department of Health and Rehabilitative Services. This department is the most comprehensive rehabilitative agency in the 50 States of the Union. It embodies every rehabilitative function in the State of Florida, as well as health services in the State of Florida, and provides an excellent medium for the development of program planning and budgetary system.

Particularly, in reference to H.R. 14173, I can cite the fact that in section 434 of the bill, of the law, actually, wherein the Secretary is mandated to use all available additional agencies and programs that are accessible to him in carrying out manpower retraining and manpower development, a State agency such as Florida's Health and Rehabilitative Services is particular and peculiarly structured to allow the Secretary to allow the State to develop an administrative program in a single State agency that can rehabilitate an individual whatever his disability under a single program, which combines health, welfare and other rehabilitative services.

This agency is in a position to clarify eligibility.

I submit that there may be one problem in this bill in which there is a gray area between the Vocational Rehabilitation Act and this particular law which provides for manpower training. The question evolves as to who is eligible for manpower training and who is eligible under the Vocational Rehabilitation Act, and should a State find that the formulas for matching funds were better under vocational rehabilitation, there will be a tendency to ignore the provisions of H.R. 14173 and try to throw the recipients eligible over into vocational rehabilitation, which is a better matching formula from the standpoint of the State.

Frankly, as far as the Health and Rehabilitative Services Agency is concerned, it is structured so that this can be accomplished by the State when necessary. In fact, we look to very frequently under the work-incentive program that we have already implemented to maximize the use of vocational and rehabilitative services so that it handles the disability of job inadaptability as a major form of correction or major eligibility criterion rather than the tradition of vocational rehabilita-



tion criterion, which evolves itself as sort of a form of middle-class welfare.

In other words, I think we do have, somewhere along the line, to determine what constitutes job manpower training under this particular concept through the welfare services and what constitutes vocational rehabilitation. It is a very gray area, and eligibility becomes a difficult problem.

I would like to see the States have the opportunity to develop these eligibility guidelines within their own State. And in an organization such as Florida's, wherein we have one department with both vocational rehabilitation and the implementing agency for this particular proposal, the Secretary of this department could easily establish guidelines as to where the eligible individual belongs, whether he is properly in vocational rehabilitation or whether is appropriately under a manpower training program.

So I would suggest that perhaps other States might be encouraged to combine as many of their rehabilitative functions into a single State agency as possible or at least develop coordinating programs among the State agencies that do provide rehabilitation among the various disability recipients.

The committee did study the proposals. They expressed support for them, and they did specifically in their resolution, of which I think the chairman got a copy, state that the State administration was a prime consideration.

Now, the bill in general seems broad enough to accomplish this purpose—if the committee and the Congress is careful to retain in part section 461, subparagraph (b), which is on page 30, which provides the permissive language for State administration by agreement with the Secretary of Health, Education, and Welfare. I would like to see, however, in addition to the legislative intent, language under section 2 to strengthen the statement of intent of the Congress to encourage the Secretary to engage, wherever feasible, with the States in agreements to provide for State administration. I believe that if this were a statement of congressional intent in the intent section of the bill, then it would encourage the staff of the appropriate committees in the Congress to oversee the executive branch, besides the reporting procedures that are spelled out, to actually oversee and see to it that the Secretary, whenever it is at all feasible, makes maximum use of State administration rather than Federal administration of the programs.

I think a statement of intent in the bill doing this, plus the congressional overview in the future, would guarantee maximizing the use of State administration, as opposed to the development of Federal administration, which at least, as far as I detect the feeling of the people of Florida is concerned, is not attractive to the people of Florida.

My own view is that we would prefer to see State administration of the federally assisted program.

Additionally, I would like to make the recommendation and feel strongly that there is a need to be certain in the appropriation for which this committee will also be responsible that there be sufficient funding to permit the use of the one-half of 1 percent which is stated in the bill for the purposes of research and demonstration projects and for the use of the Secretary in development of training and tech-



nical assistance. I think that a look to the future is particularly important and the use of demonstration projects and the use of training and technical assistance, particularly in those States that are not well structured to make maximum use of job training programs, would be very, very valuable. And I think the one-half of 1 percent suggested in the bill ought to be easily available to the Secretary for the purposes of encouraging the development of research and demonstration projects.

It is obvious from some of the questions of a few members of the committee today that our knowledge, not knowledge so much as far as the committee is concerned but the responses to those questions, that our knowledge of what we are spending and what it costs us and why we have the problems we have is very, very limited, and we need to spend a considerable amount of our effort, our thinking, our time, and some of our funds for the development of programs and demonstration projects to try to find a way to extricate this country from its growing problem of excessive welfare costs and excessive lack of productivity in a massive segment of our citizenry.

Mr. Chairman, that concludes the extent of the statement I have to make. There is no prepared copy. I received my first view of this particular bill at 3 o'clock yesterday afternoon and had no opportunity to actually read the bill until I was on my way to Washington on the plane this morning. So my expressions are purely based upon 2 hours of perusal during my examination of the bill this morning.

My statements relative to the committee's action, however, were the product of a careful study of the President's proposals and the staff work that was done by our committee in advising our committee membership of what the President's proposals contain.

The committee did react to those proposals and does in general favorably endorse the concept of a Federal-assistance floor, manpower training, and child-care centers.

Thank you.

The CHAIRMAN. Thank you very much, Doctor, for coming to the committee and giving us this very interesting statement. We appreciate your doing it.

Mr. Gibbons.

Mr. GIBBONS. Dr. Hodes, I am sure that you probably can't answer some of these questions, and I am sure that you and I can get together and work out the answers to them. But I just wanted to throw out some things here and get us both thinking along the same line.

Can you tell me how many social security recipients there are in Florida who also receive old-age assistance? Or do you all have that information?

Dr. HODES. We do have the information.

Now we currently have approximately a quarter of a million recipients of assistance totally, and I don't know that I can give you a breakdown of how many of those are actual social security recipients. Among those of the aged, the figure is about 85,000. I don't know how many actually do receive social security and how many don't and how many of those who are not aged may receive some social security.

Mr. GIBBONS. I recall when I used to be a member of the State legislature, every time Congress would increase the social security benefits, we would always get caught in the embarrassing position of seeing our people in Florida not get much of an increase because so many

social security recipients were on old-age assistance and the legislature had a fixed ceiling on old-age assistance budgets. We went through that process of waiting a year or 2 years for the legislature to readjust the ceiling on older people, at which time they were actually just swapping dollars. When they got more social security dollars, they lost old-age assistance dollars.

Is that still true?

Dr. HODES. Mr. Gibbons, I didn't come prepared to speak to the bill which you refer, but I can say this. It is my impression that increases in social security assistance doesn't really benefit the individual who really needs it the most. It benefits those individuals who usually have some outside source of income, and he gets a little bit more. And those individuals who are in greatest need, as you have indicated, are the ones who suffer, because then we do cut back on other support programs and the status quo is maintained by those in greatest need. And yet the costs continue to go up.

I might state that I am not particularly in favor of raising the salary levels for social security taxation either, as long as you mentioned the bill. That is a personal opinion.

Mr. GIBBONS. The Florida Legislature hasn't decided when it is going to meet next year, have they?

Dr. HODES. No, the Florida Legislature, I understand, will convene the last part of November or the first of December to make a decision about convening.

If I may again give a personal opinion, from the reaction I have seen, it appears that April will still be the convention date for the legislature and may well be a coordinate time with the primaries.

Mr. GIBBONS. So any increase in social security benefits in Florida insofar as these people who also receive old-age assistance would tend to neutralize each other and the State would end up with more old-age assistance funds?

Dr. HODES. I would expect we would be able to hold back old-age assistance funds because of the increase in social security and would not be voting out any additional support until the beginning of our fiscal year on July 1. The current mood and financial problems in Florida are such that we might even seize upon this opportunity as a means of saving some other money, and the individuals who really need to get some support won't get it as a result of the increase in social security benefits.

Mr. GIBBONS. From your personal of this bill, could you tell me what agency in Florida would probably handle the family-assistance part of it?

Dr. HODES. It would be handled by the division of family services, which is a division of the Department of Health and Rehabilitative Services.

I do feel that the Department will, however, if it is allowed to draw its own plans and establish its own programs, draw upon many other divisions that are in the Department for handling other disabilities. We may even use some vocational rehabilitation counselors at times, and we will try to bring into the Department our unemployment area.

Currently the division of unemployment, State employment office, is in the Department of Commerce and not in the Department of Health and Rehabilitative Services.



The CHAIRMAN. I wonder if you had any suggestions from State people or from the national people as to who would handle the training part of this in Florida, the job-opportunities part.

Dr. HODES. No, we have no particular suggestion.

Currently our Division of Vocational Rehabilitation has access to job-training facilities in the State, and we do have an actively developing program in vocational education, developing throughout the State at the present time. We also have some comprehensive high school structures and things of this sort. But as far as a single agency that will handle job training is concerned, at the moment I would not venture a guess as to what division this would be assigned to.

Mr. GIBBONS. I know Florida has recently implemented the work-incentive program. How many people do we have enrolled in it? Can you tell me?

Dr. HODES. How many people are what?

Mr. GIBBONS. The work-incentive, the WIN, program.

Dr. HODES. I understand that currently we have 4,000 participants in the work-incentive program. The program is relatively young. It has only been in operation July, August, September, about 3½ months. I couldn't begin to give you an evaluation of it at the present time.

Mr. GIBBONS. I remember seeing the other day an article about the one-stop service center type facility for rendering assistance to people who are on welfare or who are disadvantaged, in which you participated.

Could you explain that to me a little more?

Dr. HODES. Certainly.

In developing the Department of Health and Rehabilitative Services, the legislature developed an agency which combined in a single agency a combination of many functions, which are currently carried out by a multiplicity of State agencies. And mentioning only the most prominent of them, I will mention it included the correctional institutions, youth services institutions, such as juvenile centers, and that sort of thing, alcoholic rehabilitation, mental health, mental retardation, vocational rehabilitation, family services and public health agencies. And this includes blind services, and crippled children services as well.

What we are attempting to do is not just make this an executive monster which operates only at the State level and yet doesn't provide any coordination at the local level. We are attempting to establish in the community a single area wherein all of these agencies have sufficient representation so that someone who is in need of help, who may be eligible for some State service, can go for support and can get his advice and his direction in one location.

What we have done with very minimal funding at the moment is we have established two one-stop centers in the city of Tampa, one in a model cities area and another in a ghetto area of the community, wherein right in the neighborhood anyone who has any need of some kind of help but doesn't know who is going to help him can go to this one-stop center and there he will receive counseling from a family services counselor. Or if vocational rehabilitation services are indicated, he will receive such counseling.

Each city one-stop center is a referral agency, which sends this individual to the appropriate place where he can get the maximum



amount of service for the disability he happens to have, based on an evaluation of that disability by a trained counselor.

Now, this will save that individual having to shop around from agency to agency trying to find out where he can get some help from State government. We hope to have these in all of the urban and some of the rural areas. Two centers have been established, one in Tampa and one in the city of Quincy, which is in Gadsden County and which is a rural community in the Panhandle of western Florida.

These are local representations of the entire State department to try to draw together all of the agencies that handle disabilities within the State. And we hope to see these expanded throughout the State. They are not particularly expensive to set up, but they are very, very valuable in creating accessibility of all State services to the citizenry where it is needed the most. We will hope to establish these in a trailer-type situation in migrant labor areas where there are migrant laborers, so they, too, can have the advantage of State services when they are needed.

MR. GIBBONS. That sounds like very progressive thinking. I know the problem that a disadvantaged person has of going and finding an office, maybe not in the central city but sometimes on the outskirts, and having to go from one office to another to find out whether or not he fits in a particular slot. Then, after maybe a week or so of trying, he finds out he falls between all the agencies, and nothing is done for him.

I think you have hit on a really good system of maximizing the dollar.

DR. HODES. Mr. Gibbons, we think that this particular system is so good that we think that we can administer a program of the type that is proposed in H.R. 14173 so well that we should be given the maximum opportunity to develop our own administrative plan and other States should attempt to develop similar organizations plans.

Some States are doing quite well in this area. We studied them all. The State of Iowa is doing a superb job. They unfortunately left vocational rehabilitation out of their program. California is doing a pretty good job, too.

MR. GIBBONS. Do you have people in these centers from the State employment offices?

DR. HODES. Yes: the department of health and rehabilitative services is working with the Department of Commerce so that we do get people from the State employment offices in the centers as well.

We have to determine whether the individual can hold a job, if he can't hold a job, where he can get the job training, and try to even establish and have a job waiting for him when he gets through with his training period.

They have also maintained a certain amount of liaison with those agencies that are set up at local government that are purely Federal in structure, such as neighborhood service centers and things of this sort.

But this is essentially a State office operating to provide the services that the State has to offer for its citizens that are in need.

MR. GIBBONS. Have you been able to get these linked with the Social Security Administration?

DR. HODES. As yet, no one from the Social Security Administration is in the office.

Mr. GIBBONS. Don't you think it would be a good idea to get the Social Security people out of their offices and into where the people are?

Dr. HODES. It would be very helpful.

Mr. GIBBONS. You know how illogically they are located. Have you been able to find the new social security office in Tampa?

Dr. HODES. I know the address, Mr. Gibbons.

Mr. GIBBONS. Don't try to go there on the bus.

Dr. HODES. It is a nice building but not very accessible. We do keep a pretty good telephone line open to them, and social security is very important to them, obviously.

Mr. GIBBONS. Would it be a good idea for us to require that the social security offices be in areas where the people can find them?

Dr. HODES. From the expressions I have heard of patients, for example, who are trying to get their medicare situation straightened out, they tell me they have no way of getting to the social security office, and could I tell them how to get there as a physician. I can tell you that some accessibility to that social security office in areas where an automobile is the primary means of travel is vital, because in many of our cities, in the South particularly, urban transit systems are not good and the automobile is the primary means of travel, and the very people who need to get to the social security office are not in a position to drive an automobile. So we need to get those offices out on a distributive basis.

Mr. GIBBONS. Thank you, Doctor.

The CHAIRMAN. Are there any further questions?

Again, we thank you, Doctor.

Dr. HODES. I thank you, Mr. Chairman and members of the committee.

The CHAIRMAN. Our last witness today is Dr. Rivlin.

Dr. Rivlin, we remember you when you were over in the Department of HEW recently. I understand you are now with the Brookings Institution.

## STATEMENT OF DR. ALICE M. RIVLIN, BROOKINGS INSTITUTION

Dr. RIVLIN. That is right, Mr. Chairman.

The CHAIRMAN. We are glad to have you with us on this matter.

Dr. RIVLIN. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Alice M. Rivlin. I am an economist and a Senior Fellow of the Brookings Institution. In the Johnson administration, I was Assistant Secretary of Health, Education, and Welfare for Planning and Evaluation. In that post I was responsible among other things, for examining the effectiveness of welfare and other antipoverty programs and assessing the advantages and disadvantages of alternative income-maintenance systems. I am happy to draw on that experience to give the committee my personal views on the administration's proposed welfare reform.

I strongly support the main features of the administration's proposed welfare-reform bill, especially the family-assistance program. If enacted, this program would correct many of the defects of the present welfare system for the United States.

Let me make clear at the outset that I do not believe the bill goes far enough. It does put a Federal floor under welfare payments for



families with children. This is important and extends aid to the poorest of the poor; but the proposed floor is not high enough. It is far below what the Government, itself, regards as a poverty level income. Millions of families with children would still be living below the poverty line. The bill does extend aid to the working poor for whom there is presently no federally supported assistance. This change, too, is extremely important. It helps many families in desperate straits and corrects one of the most glaring inequities of the present welfare system. However, the bill does nothing to help those impoverished persons without children who are not covered by present welfare programs.

I am among those who believe that the Nation's present priorities are wrong. We are devoting far too great a proportion of our total resources to private luxury and not enough to public needs. We are devoting far too great a proportion of our public funds to military purposes and not enough to the urgent domestic programs. We can afford a far better education system than we have now, improved health services, cleaner air, purer water, and a more healthy and attractive environment in which to live. We can also afford to eradicate poverty in the United States. No one need live in squalor and destitution in America.

The bill before us does not constitute a drastic reorientation of national priorities. It is based on the assumption that until the war is stopped there will be limited resources available to meet the needs of the poor. If one accepts this assumption—and I am afraid to be realistic, one must—then it is necessary to ask two questions about this bill: (1) Does it aid those who need it most? (2) Does it move us toward a better income maintenance system? I believe it does.

Although the question of "welfare" or income maintenance appears to be a divisive and controversial one, I do not believe there is really much disagreement among most Americans on the kind of income maintenance system they would like to have. Most people recognize the necessity of society's extending aid to those in need and want a dignified, equitable system of income maintenance which is fairly administered and which accomplishes three things: (1) It assures adequate incomes for all. (2) It encourages work. (3) It encourages families to stay together.

Moreover, it is clear to all of us that we do not have such a system now. The present welfare system is inequitable. There are great disparities in payment levels among States. Families headed by women receive aid and equally needy families headed by men are excluded. The system has perverse incentives. It discourages people from working and encourages men to leave their families or not to marry. Its complex rules encourage arbitrary and discriminatory administration. Above all, the present system does not keep people out of poverty. Many of those covered received abysmally small benefits and millions of needy families are not covered at all.

I do not believe that the present welfare system can be patched up. In its present form it is basically unimprovable. The fundamental difficulty lies in the categorical nature of the program—especially in the artificial and outmoded distinction between men and women. The present system, designed in the 1930's, assumes that women with families are unable to work and are, therefore, deserving of public



aid. Men, by contrast—unless disabled or unemployed under a very restrictive definition—are assumed able to keep their families out of poverty and, therefore, undeserving of public aid. This assumption flies in the face of the obvious fact that the man with limited education and training can often find work only intermittently or at wages which are not adequate to support a family.

The attempt to maintain this arbitrary distinction between men and women, between the employable and unemployable, has been responsible for many of the defects of our welfare system. It has led to administrative indignities like the man-in-the-house rule. It has provided incentives for men with low earnings to leave their families or avoid taking on family responsibilities. It has limited the incentives for women in poverty to become self-supporting and it has led to resentment of the whole welfare system by wage earners. But most important, this arbitrary distinction has made the present welfare system essentially unimprovable. Any attempt to raise the payment levels for presently covered families has both positive and negative effects. It helps those who are presently covered, but widens the disparities between the covered and the uncovered and intensifies perverse incentives and the resentment of the system.

In order to have a viable income maintenance system, we must abolish these outmoded and indefensible distinctions. We must move to a general system which helps people because they are in need—not because they fall in some arbitrary category—and does so without destroying incentives to work or family cohesion. Until we do this, it will be impossible to raise payments to adequate levels, or significantly reduce the disparities among States.

The administration's bill moves a long way toward abolishing these unworkable distinctions, at least for families with children. It replaces the present aid to dependent children with a new family assistance plan which aids all families with children, on the basis of need. A family of four would be guaranteed an income of \$1,600 a year—more with food stamps—and would be allowed to keep the first \$720 of earnings without reduction in welfare payments. Above that amount the payment would be reduced \$1 for every \$2 earned. States whose payments under the existing AFDC program are already higher than this level would be required to maintain their effort and pay supplementary benefits to families covered by present programs—although not to those newly covered.

The two important features of the family assistance program—the Federal floor and the extension of coverage to the working poor—provide help to those who need it most. The program would raise payment levels for families with children in the poorest States—surely the poorest of the poor. It would also extend help for the first time to the most needy of the working poor. Moreover, these two features in combination provide a base for further improvements in the coverage and the adequacy of the system.

I would, therefore, urge the committee to give this bill favorable consideration and to preserve its most important features—the Federal floor and help for the working poor. I would, however, strongly urge the committee to go beyond the provisions of this bill—to take a bigger step in the direction of a really adequate income maintenance system:

1. The Federal floor should be higher than that proposed in the bill. Although, of course, every raise makes it a good deal more expensive.

2. Coverage should be extended to all persons in need—not just families with children. Although, again, of course this makes it more expensive.

3. Incentives should be provided for the States to improve their supplementary benefit programs and to extend them beyond those presently eligible.

The administration's proposal would narrow the disparities among the States by raising payment levels in the lowest States but would not give the States already above the minimums any monetary incentives to improve the coverage or adequacy of their programs.

Finally, I regard the work test as both unnecessary and potentially abusive. Under the President's program, family heads would be required to register for work and training if they were not already fully employed and were not mothers of children under six. The number of persons affected by this test is relatively small, since a majority of the poor are either working already or are mothers of small children. Moreover, the available evidence would indicate that most family heads at low-income levels want to work and are eager for training and employment opportunities. Even if training and day-care programs are stepped up as rapidly as possible, the demand for these services will far outrun the supply, without any compulsion. The advantages of compelling the few who do not want to work are far less than the dangers inherent in having such a weapon of compulsion in the hands of a few administrators who might use it to force unwilling persons into substandard jobs.

In short, I believe this bill has many good features, that it is a sound structural reform of the welfare system, and that it deserves both support and improvement.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Dr. Rivlin, for bringing your statement to the committee. We appreciate your doing it.

Are there any questions?

Mr. BUSH. I have one question, Mr. Chairman.

The CHAIRMAN. Mr. Bush.

Mr. BUSH. On the first page I think it was a very good statement, Doctor, that, "We are devoting too great a proportion of our total resources to private luxury." Is that referring to Government, or is that referring to individuals?

Dr. RIVLIN. It is a backhanded way of saying that I don't favor tax cuts right now at the expense of public programs.

Mr. BUSH. Then the last one that I would want you to further elaborate on is this compulsion. I think from the testimony we had before us a couple of years ago, the committee felt that with the work incentive, training and day care that then after all that if people were unwilling to work, that it might be appropriate after all those things fail that some degree of compulsion be applied. Do you feel pretty strongly about your opposition to carry compulsion?

Dr. RIVLIN. Well, I think you have to weigh advantages and disadvantages. A compulsory work provision does put a weapon in the hands of a welfare administrator who may want to force a woman into the cotton fields of the South or into a substandard job in the North.



I would much rather rely on incentives—on opening real opportunities to people to work in good paying jobs with adequate care for their children—than make it a compulsory feature.

As a practical matter, I think that the chances of being able to fulfill the demand for training and day care in the next few years on the part of those who want to work are so slim that we don't really need the compulsory provision.

MR. BUSH. Thank you, Mr. Chairman.

MR. GIBBONS. May I ask a question?

THE CHAIRMAN. Mr. Gibbons.

MR. GIBBONS. Isn't it true that we just have some jobs in society that are not really attractive? For instance, I used to discount this but I now believe it is true. I often run into people in my part of the country who are engaged in farming. We don't have any cotton but we have a lot of farming to do. They complain constantly that they can't get employees. They say if they get one on a job he will stay for 3 or 4 days until he gets enough money to get a bottle of wine and then he goes off and they can't get help. If they had a complete system of supplying all the needs I don't know whether you would ever get some people to do some of the jobs if we just had some people that could say, "I can get a home and I can get a roof and the medical care and the food I want."

Some people's wants and desires are so small that I don't think they would ever rise above that and maybe we would never get the crops harvested. Isn't that one of the things we have to face in our society?

DR. RIVLIN. Well, I think there is a problem that there are jobs that need to be done that just are not very attractive but I would not favor using the welfare system as a way.

MR. GIBBONS. I am really searching for a way to find ways to make this job attractive. How can you make a job of picking oranges or picking strawberries or tomatoes, or even corn, attractive enough to keep people doing that all the time?

It is hard work. It is back-breaking work.

DR. RIVLIN. I have never run a farm. I am not an expert on agricultural problems—

MR. GIBBONS. It is a real tough problem. I know the farmers in my area. If just one told me I would think it may be just that one farmer but in the last 7 or 8 years I have talked to hundreds of farmers who stop me and say, "I just can't get the labor I need to help harvest the crops." I have tried to think of some way to get that person help. Of course, we have cut out the bringing of people from overseas to do the harvesting. It is a very difficult job.

DR. RIVLIN. Well, it is.

MR. GIBBONS. It is one of the more unattractive jobs in society.

DR. RIVLIN. I think there must be some way of organizing farming so that farm laborers are paid what the rest of the society regards as a living wage and work under reasonable conditions.

MR. GIBBONS. Well, the farm employers in my area tell me that they pay real good wages. It is very hard to see whether the wages are accurate but some of the wages they cite would be very attractive. But it is a problem you still haven't licked.

Thank you.



The CHAIRMAN. I am always hesitant to ask a doctor of economics any questions, especially when I have a graduate economist sitting here on the committee. Because so many, many people, Dr. Rivlin, engaged in the actual operation of the welfare program in the several States manifest, or at least state some of the points you stated in your paper, particularly about the matter of acquiring training and work if work is available, I just wonder if that is in keeping with the kind of economics that I learned when I was in college. I was always told that it was good business for us to fully utilize all of our resources and that we should make every effort to see to it that all of our resources were at all times being fully utilized and in proper priorities at the same time.

It would seem to me that the greatest resource we have is manpower and when I say manpower I mean women as well if they want to work. I don't see much in this program that has been advanced that satisfies me any more than I see in the existing welfare program in this regard. I am referring to our high responsibility to do everything that we can to see to it that the executive department and the States do everything they can to help people to help themselves in order that somehow or other those persons' abilities become a part of our list of resources.

Do you see in this program anything that goes in the direction of helping these persons to help themselves?

Dr. RIVLIN. Yes, but it is not a brandnew thing. It continues in the direction of the WIN program and other things that you have enacted before. There are no stronger incentives in this bill to go to work than we have now, in terms of the amount of earnings which can be kept by somebody who is on welfare and the conditions under which someone who is on the margin of working or not working can receive aid.

One of the problems for the women on welfare is that if they go off and get a good job they may be doing better than they were on welfare, but there is always the problem that if they lose the job it takes a very long time to get back on welfare. There is a risk of not being able to do that, and being hungry in the meantime. By extending the coverage to the working poor and making it a much more general program, some of these difficulties are eliminated. Also, one real problem for the women is the absence of good child care facilities.

The CHAIRMAN. We authorized that last time in 1967.

Dr. RIVLIN. I am saying this is not new. It is just more of it.

The CHAIRMAN. It is just more of it. We started in 1962 and gave the States the option by saying we will participate with them if they set this up and some of them did it in a few counties. We had one of the Oregon county welfare directors before our committee in executive session explaining to us in 1967 how she had made it work in her particular county, but I couldn't find much evidence throughout the country that the voluntary arrangement had caused very many people to go to work. I have been greatly disappointed with the performance so far of the 1967 amendments, even though there is a requirement for training. We have left to the decision of the caseworker the question of whether this is a suitable person, a suitable case for training. I don't know how we can help them to improve their own lot in life. To me it is education and training that does it. Most of them are in this position, I presume, because of lack of skills, are they not?

Dr. RIVLIN. Yes.

The CHAIRMAN. Aren't they capable of being trained to greater skills?

Dr. RIVLIN. Oh, I think so.

The CHAIRMAN. We have done far more with the poverty program in one county in my State in training people than I think they have done altogether under the 1967 amendments in my State, statewide, in training people to do things that were available.

I know some 300 persons who were on AFDC in just one county alone who were trained and were doing jobs in hospitals and nursing homes where jobs were plentiful and they have still not filled all of them. They are satisfied. We had one lady come up here who was left by her husband who was a tenant farmer. He died and she was left with children, the oldest of whom had some mental deficiency. She was on welfare for 2 years, and wasn't satisfied at all to stay there, but she had no training for anything except cooking and taking care of a house. Some of the people arranged for her to take training, as a licensed practical nurse, and at the end of a year or so she was qualified and so licensed and she is now the head of all the so-called licensed nurses that work in this particular hospital in her community.

I don't know what she earns, but it is far more than she was getting on welfare, and at least she is far happier than she was.

My point is that under a voluntary program we can't take care of the people of their own will or assume that that is the action they should take.

Dr. RIVLIN. It has been my impression that the slow buildup under WIN program, and it has been slow, has been not from lack of interest among welfare applicants, but from a slow opening up of training programs and day-care programs by the welfare administrators themselves.

The CHAIRMAN. I know this from my own experience, and I visit them at home and see people in all walks of life and a lot of these people come to me personally to find out if there isn't some place that they can go among all of these manpower training programs, to get some training to enable them to get a job. Many, many of them come to me and ask that question. But there doesn't seem to be enough effort made at the State level to give them the information that they need.

Then I had one lady in to see me one time from Cincinnati who had gone through a training program and after she had gone through it there was no job in Cincinnati open for that type of work. She thought she had just wasted her time and couldn't get back into another training program. I don't know whether it is the fault of these individuals altogether or whether it is the fault of our own administration of some of these programs but somewhere along the line I have made up my mind completely that we are not doing enough to develop the resources that these people have and that we are losing daily or yearly because they don't do more to see to it that these people are off the welfare rolls and back on the tax rolls.

Dr. RIVLIN. I agree completely.

Mr. BUSH. I wonder, Mr. Chairman, if Dr. Rivlin would comment on the fact that has come out to our committee maybe in executive session that sometimes you get the feeling that they are not willing to refer people for job training. One gets the feeling there are



people in welfare work that are almost thinking, "If we get this guy off our welfare maybe our SWS jobs will be smaller."

Maybe that is unfair but I get the feeling that it exists because there is such a wide discrepancy in referrals.

Wasn't it in our unemployment compensation that we saw the differentials between some areas where in one State they will have hundreds of referrals and in another there will be just a fraction of 1 percent.

The CHAIRMAN. The difference between California and New York was 4 to 1.

Mr. BUSH. It was 70 percent between Utah and New York. If we don't have some compulsion at some point I worry that the way of life that we saw in our 1967 hearings here on welfare will just continue and the whole challenge before us today is to break the back of this demeaning way of life for people and give them something better.

We all remember the statistics that you people printed showing that there was a third generation, mother, child and next child, still on the welfare, and without some degree of compulsion for somebody after all the training and day care and all these other things, I wonder how we are going to ever get it accomplished. The only place you and I differ is that at some point I fear that some compulsion is going to have to be built into the system.

Dr. RIVLIN. I would not object to compulsion at the level of the welfare administration. There must be training and day care offered and energetic efforts made to fill these programs. I agree with you that there is often a reluctance on the part of welfare workers to refer mothers of children for training. Many of them do seem to have what I regard—perhaps because I am a working mother myself—as a rather old-fashioned view the mother's place is in the home, even if she is not doing a very good job as a mother.

I don't agree with this but I do think that compelling an individual, over her own objections, to do something that she doesn't want to do, to leave her children, for example, is more dangerous than it is worth.

The CHAIRMAN. Let me ask you one other thing. Your former boss, the head of the Department, Mr. Cohen, and I have been very warm friends for many, many years and have worked together off and on ever since I have been in Congress on social security and welfare matters, and I have talked to him many, many times about this trend that I see which I know is not good for coming generations. I believe we have an average now throughout the Nation of about 6 percent of the child population on AFDC. That is most unfortunate and is entirely too high a figure. Somewhere along the line we have failed with respect to those people to see to it that they had job opportunities.

Then when Mr. Cohen told me that the Department had made some projections, and I forget whether it was 5 or 10 years but it was in a short period of time, that if we didn't change this it would be 10 percent of our total child population on AFDC and it was going to be that within that period of time. I don't know what the figure would be if projected on into the future, but what disturbs me is that I don't believe we are doing enough in merely seeing to it that the people have what food and clothing and housing they need in order to avoid starvation, or pneumonia or whatever else they might incur. I don't think we should stop there. I don't think that is enough and I know you don't believe so.



The great question in my mind, and in Mr. Bush's mind, and in the minds of the other members of the committee, is what else do you do? If you don't use a degree of compulsion how do you get this great bulk of people to realize that they are so much better off if they get training and go into suitable employment?

Nobody here wants to return them to a type of employment where they can't make a living. None of us wants that. I want them trained so that whatever ability they have can be maximized and they can take their proper place in this economic maelstrom that we have and make their contribution.

I can foresee, as I said before, that if one woman in one apartment is going to work and have her three children in a day care center, and another one in the same apartment building is going to have her three children in a day care center, and not be taking training or doing anything else and probably getting just as much from the welfare office as the working mother is getting, this thing is going to break down somehow, somewhere, sometime and it just won't go on, because there is so much resentment. There is enough of it already unfortunately, but with 10 percent of our child population on welfare rolls in the future it is going to be so much greater. We must find a way out of it.

Dr. RIVLIN. That is right. In terms of that example, I think we must find a way to employ those mothers or at least some of them in the day care center itself.

The CHAIRMAN. I have said that if you set up enough of them there are certainly some AFDC recipients who could work in the day care centers and take care of their own children and someone else's children. There is no question about that. I want you to think some more about this because I am not satisfied that even existing law or even the proposals we have before us are sufficient.

I am not talking about a dollar amount, as you were, because this doesn't bother me, too much. If it is too low now it will get higher later. It may take a longer time. But whether or not that is the answer is what I am trying to find out. I want the answer to help these people to maximize their place in society. I know you do.

Dr. RIVLIN. So do I.

The CHAIRMAN. Thank you so much.

Without objection, the committee will adjourn until 10 o'clock in the morning.

(Whereupon, at 4:15 p.m., the committee adjourned, to reconvene at 10 a.m., Thursday, October 23, 1969.)



## SOCIAL SECURITY AND WELFARE PROPOSALS

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THURSDAY, OCTOBER 23, 1969

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
*Washington, D.C.*

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Al Ullman, presiding.

Mr. ULLMAN. The committee will be in order.

Our first witness this morning is our colleague, Mr. Cohelan.

Is he here today?

Is our colleague, Mr. Horton, here?

We are very pleased to welcome you before the committee, Mr. Horton, and we are looking forward to getting your views on this very important legislation.

### STATEMENT OF HON. FRANK HORTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. HORTON. Thank you, Mr. Chairman.

It is a distinct pleasure to appear before this expert and knowledgeable committee. I know that this committee requires a great deal of diligence, concentration, and long hours from its members in order to come to grips with the very far-reaching and intricate policy matters which come before you. Members of the House can already point with pride to the product of this panel's month-long efforts in the area of tax reform. The very fact that the tax reform bill has generated controversy indicates that your committee has not sidestepped the crucial issues involved in meaningful tax reform.

I was one of several Members of Congress who contacted this committee soon after passage of the tax reform bill to request that you consider the matter of social security and welfare during the first session of the 91st Congress. I am grateful for your decision, Mr. Chairman, to act promptly on these high priority proposals by holding these hearings. Because I know the committee's time is precious, I shall not impose upon you by launching into long and detailed oral testimony. Instead, I should like to briefly summarize the reasons for my sponsorship of H.R. 14363—an 11-part social security bill—and H.R. 14174, the President's family assistance plan. After my brief statement, Mr. Chairman, I should like, with your permission, to submit a more detailed statement for the consideration of the members and staff of your committee.

Mr. ULLMAN. Would you like to have it appear in the record following your statement?

Mr. HORTON. Yes; I certainly would.

Mr. ULLMAN. Without objection, that will be done.



Mr. HORTON. Mr. Chairman, I see our social security system as a tool for providing some degree of financial security to disabled and older Americans. My proposals for reforming this system cut deeply into some present assumptions about its goals. The reform proposals I have included in H.R. 14363 are designed to tailor the social security system to serve the following purposes:

1. The social security system is the proper vehicle for keeping elderly Americans in step with the cost of living. Further, I believe that a mechanism for automatic increases in benefits should share in part, with social security recipients, the gains in real income made by Americans who are still in the work force. By January 1970, 21 months after the last increase in benefits, social security recipients will be seriously behind in purchasing power. The average recipient will have lost \$134 in purchasing power due to a 10-percent rise in the Consumer Price Index since the first quarter of 1968. Over the last 10 years inflation has outstripped benefit increases by a full 8 percent. I am proposing an across-the-board benefit increase of 17 percent effective January 1, 1970. This will allow recipients to share in a small portion of real income gains made by the economy, will put them ahead of inflation, and will compensate them for loss in purchasing power suffered since the last increase.

2. I believe the present features of the system which tend to take more in taxes and pay less in benefits to persons at the lower end of the income scale must be reversed. Toward this goal, I propose a complete change in the concept of the earned income limitation, or "retirement test." As it stands, people at the lower end of the income scale, who are most likely to need additional earnings after retirement to supplement their social security, are harshly penalized by a reduction in benefits after \$1,680 in earnings. Those at higher incomes, less likely to need postretirement earnings, are afforded unreduced benefits regardless of the amount of investment and other nonwork income they receive. My proposal eliminates any "retirement test" based on earned income. I suggest that unreduced benefits be paid to all recipients whose total income from all sources is \$580 per month (\$6,960 per year) or less, including social security. Above that amount, benefits would be reduced as in the present system. This would, for the first time, tie benefits to a factor of total income. It would change for many taxpayers the basic concept of social security tax payments as a contribution to an insurance plan. It would mean, for wealthier participants, that they may receive no tax-free old age benefits at all if their income exceeds a certain amount.

Because I think the social security system, through changes already made and further changes being proposed, is growing away from a system where a worker expects to get back money in proportion to what he contributes, I think some features of the system which are rooted in this original concept should be changed. I have also proposed that self-employed workers be taxed at the same rate as employees with the same income.

Farmers, small-business men, and professionals usually work long beyond the normal retirement age for employees. When they do retire, they are frequently lower-income people who need additional earnings and are thus penalized by the present retirement test. Soon, self-employed persons will be expected to pay 7½ percent of their incomes in

social security taxes. I propose that this penalty on self-employment, which works against other Government programs to encourage the small farmer and businessman to remain self-employed, be lifted, so that the self-employed will no longer pay  $1\frac{1}{2}$  times the tax of an employee with the same income.

With the same goal in mind—to remove from the system those provisions which tend to place a greater burden on lower-income participants, I propose that recipients over 65 who work should be able to elect not to pay additional social security taxes on their postretirement income. Where the additional quarters of coverage will not increase the recipient's benefits, this tax acts to reduce the benefits of any recipient who earns any additional income. The combined effect of additional social security taxes and the earned income limitation is to drastically reduce the benefit a working retiree receives.

Other proposals contained in my bill, H.R. 14363, and the reasons for my support and cosponsorship of the President's welfare reform proposals are set out in more detail in the appendix to this statement.

Many of the reforms I am proposing in the social security system are bold steps. They are, in many cases, steps away from directions of the present program. I do not advocate dismantling this system and totally restructuring it. I think much of the collection system and much of the body of rules for qualification for payment should be basically retained. But some of the basic assumptions and goals of the system must be changed. I believe we must reverse those features of the system which tend to collect more from, and distribute less to, low-income recipients.

Your committee may decide that, in order to accomplish some of these new goals, more than reform is needed. You may decide that the social security revenue structure is not appropriate for guaranteeing economic security to qualified recipients through a pay-out system that is tied, in part, to total personal income.

You may feel that the general fund and not the trust fund is the proper source for supplementing a large increase in the minimum payment to \$100 a month.

These reforms are expensive. But it is also expensive for our affluent Nation to endure poverty in a large segment of its growing elderly population. What I have proposed is not a total program of income security for the elderly. I believe that much of this needed goal can be accomplished within the general revenue and payment structure of the social security system.

But more than the mechanics of my individual proposals, I am hopeful that this committee will adopt the underlying goals I have supported. We must find a way to deal realistically with the economic problems of old age and retirement, with fixed incomes perennially losing the battle with inflation, and with the system rigged against those whose needs for its benefits are greatest.

Mr. Chairman, I would like to just briefly refer to the topics in the appendix without reading or going into detail of the subjects but to indicate the depth with which I have tried to go into these various subjects.

First is the question of inflation and the elderly, and I have tried as best I can to set forth some of the statistics which I feel are important, and I might say parenthetically that I have had to do this



in my own office and I do feel that we are somewhat handicapped because we only have three people, including myself, that are available to do this type of work and we do have other things to do, but we have, as best we could, pulled together statistics and I trust that they will be pursued fairly carefully.

Mr. ULLMAN. Mr. Horton, they will be in the record.

Mr. HORTON. Right.

Mr. ULLMAN. And it is very obvious from your statement that you spent a great deal of time on it and I am sure the committee will be looking at the statement.

Mr. HORTON. I do, on page 3, Mr. Chairman, indicate support for the proposition of an increase of 17 percent, and I do feel it is important, because it is different from anything else, that I do read to the members of the committee these five paragraphs there.

I say why a 17-percent increase? [Reads:]

First of all, a 17 percent benefit increase would bring the total increase in benefits in this decade to 37 percent. This compares favorably with the 28 percent rise in living costs expected between 1960 and January 1, 1970.

In the same period, personal per capita income in the economy will have risen 64.5 percent. It is unrealistic to expect retirement benefit recipients to keep pace with this kind of growth, but I do think sharing a small portion of the per capita personal income growth is more than justified. Although a 17 percent increase would not begin to pay recipients back for losses in purchasing power over the past decade, or even over the 21 months since the last increase, it would, for the first time, boost recipients beyond increases in the cost of living.

Without considering further automatic standard-of-living or cost-of-living increases, a 17 percent increase in January would, over a period of 33 months pay recipients back the \$134.00 loss in purchasing power their benefit income has suffered since February 1968.

In other words, a 17 percent increase would share some real income growth with recipients; it would allow recipients to overtake the 10 percent rise in consumer prices since the last benefit increase, and to overtake the 28 percent rise in prices since 1960; it would also repay recipients after three years for the \$134.00 (average per recipient) lost to inflation over the past 21 months.

In addition to a 17 percent across-the-board increase effective January 1, and an automatic increase mechanism based on rises in the "standard-of-living" formula, I have proposed an increase in minimum monthly benefits from the present \$55 to \$100.

Then, Mr. Chairman, the second part deals with the cost of social security improvements and I have tried to realistically approach the problem there. Then the third part, "To Work or Not to Work," has to do with the retirement test inequities as I have stated in my earlier summary. This has to do with the inequities insofar as those people at the lower end of the scale are concerned.

Then on page 5, "Special Problems of the Self-Employed," I have tried to grapple with the problem that the self-employed person has to meet with regard to paying the extra amount because he is self-employed and the problems that he finds upon retirement.

And then on page 6 under "Other Needed Revisions," I have set forth some other important items—ones that I have listed without going into any detail—but which are equally important insofar as I am concerned.

Then on page 7 I have indicated my full support for President Nixon's family-assistance program.

(The more detailed statement follows:)



STATEMENT OF HON. FRANK HORTON, A REPRESENTATIVE IN CONGRESS FROM THE  
STATE OF NEW YORK

I. INFLATION AND THE ELDERLY

Mr. Chairman, for the past several weeks, I have been reviewing economic statistics which have particular bearing on the well-being of elderly citizens who depend on social security for a significant portion of their support. Let me first state briefly some of the facts which I feel should influence the Committee's decisions on proposals to effect major across-the-board increases in social security benefits and to place future increases on an automatic basis responsive to changing factors in the economy.

Looking over economic statistics for the past decade, it is rapidly apparent that beneficiaries have not only shared in none of the growth of our economy since 1960, they have not even begun to keep pace with inflation.

Between 1960 and September of this year most of the people of America have enjoyed unprecedented prosperity. Personal income per capita has risen by 64.5%. Per capita disposable income (after deducting personal tax and non-tax payments to the government) has risen by 58.5%. Inflation since 1960 has eaten away much of this income improvement, but has still left the average American with a real income improvement (base on 1958 prices) of 33.3%.

Without considering increases in property, school and sales taxes, the average American's tax bite has more than doubled in this period, increasing 107.2% per capita since 1960. I do not have the statistics on a nationwide basis for property and sales taxes, but taking jurisdictions in my own Congressional District as examples, these categories of taxes have increased between 20 and 50 per cent in the past two years. Judging from this, I would venture to say that these local and state taxes have risen as fast as the 107.2% rise in per capita income and personal property taxes since 1960.

It is projected that by January, 1970, consumer prices will have risen more than 28% above their level in 1960. The consumer price index has already climbed more than 25% according to figures released for the third quarter of this year.

With these hefty bites taken out of disposable income by increased taxes and by inflation, the average American has still enjoyed a 33.3% rise in purchasing power in this decade. He has been able to make significant progress in his swim against the currents of taxes and inflation. In the same time period, how has the social security recipient fared?

Since 1960, there have been only two across-the-board increases in social security benefit rates and one selective increase for dependent widows, widowers and parents. In 1961, this Committee raised dependent parents', widow's and widower's benefits from 75% to 82½% of the primary insurance amount of the deceased spouse, and it increased the minimum monthly benefit from \$33 to \$40. In 1965, you raised benefits across the board by 7% and increased the minimum benefit from \$40 to \$44 per month. In 1967, Congress provided for an across-the-board increase of 13%, effective with benefits received in March of 1968. The 1967 amendments also raised the minimum monthly benefit from \$44 to \$55 and made moderate liberalizations in the so-called "retirement test." Thus, for the elderly couple who received social security benefits in 1960, we have increased their monthly check by a total of 20% across-the-board increases. Of course, if they were receiving the minimum benefit of \$33 a month in 1960, their increase is substantially higher.

Thus, John and Mary Jones who received \$100 per month in 1960 are getting \$120 per month today. But it will take over \$128 per month by January for John and Mary to enjoy the same purchasing power they had ten years ago, and increases in taxes they must pay, even though their benefit payments are income tax-exempt, have even further eroded their purchasing power.

Almost every public official at every level of government, from the President of the United States on down has cited the deplorable fact that inflation hits hardest, those Americans who are forced to live on fixed dollar incomes. A very large portion of our social security recipients fall into this category of people who not only have enjoyed no improvements in real income over the past decade, they have actually seen a substantial erosion of their purchasing power.

To further illustrate this hardship, let me discuss just the relatively short time period that has elapsed since the last across-the-board increase went into effect in February, 1968.

By January, 1970, we will see a rise in the cost-of-living (consumer prices) to over 10% above what it was in the first quarter of 1968. Per capita disposable income will have risen by over 11% in the same period, reflecting an improvement in real income. Income taxes and personal property taxes alone, which in March, 1968 took a 13.4% share of personal income will take at least 16% by January.

Because the level of social security payments has not risen with either real income or the costs of living, and assuming that the 1968 increase brought recipients generally into line with living costs at that time, the average recipient will have lost over \$134.00 in purchasing power in the 21 months ending in January, 1970, or just over \$6 a month.

Since before the last increase was enacted, I have urged this Committee to restructure our response to the problems of elderly persons living on fixed social security payments. In 1967, I offered my plan for automatic standard-of-living increases in benefits. My "standard-of-living" formula is a bit complicated, but I think it is a fair way to assure that recipients will keep pace with the cost-of-living, at the same time affording them a portion of the real income improvements enjoyed by the rest of the economy.

H.R. 14363 provides an automatic increase, triggered by a 3 per cent rise in the consumer price index. If, during the same period per capita disposable income has risen by more than 3 per cent, benefits would be raised by a percentage equal to one-half the sum of the percentage increases in these two economic indicators. Where the consumer price index has risen 3% and per capita disposable income has risen 4%—both in the period since the last benefit increase—social security benefits would automatically be raised by 3½%.

This formula is designed to enable recipients to share in productivity and real income improvements made by the economy as a whole. While most retired workers over 65 do not contribute to overall improvements in national productivity, their past efforts in the labor force helped build our economy and entitles them to share, at least partially, in the strength of the economy. A standard-of-living increase such as I have proposed would allow beneficiaries to keep pace with inflation—which they are not doing now. The real value of benefit dollars should—at a minimum—remain at the level set by Congress in the initial legislation authorizing the automatic increases.

H.R. 14363 contains two other important provisions which apply to the race between social security recipients and our expanding economy. Some have proposed that we limit the overall benefit to 10% beginning in April of 1970. I do not know where the consumer price index will be next April. I do expect that by January, it will have grown at least 10% beyond its level in the first quarter of 1968. A 10% increase effective in April will not even catch recipients up to the inflated level of the cost-of-living since the last increase, let alone provide them with any share of real income growth, and let alone compensating them for past months where they have been losing purchasing power.

My bill, H.R. 14363, proposes an across-the-board increase of 17% effective January 1, 1970. Why 17%?

\* First of all, a 17% benefit increase would bring the total increase in benefits in this decade to 37%. This compares favorably with the 28% rise in living costs expected between 1960 and January 1, 1970.

In the same period, personal per capita income in the economy will have risen 64.5%. It is unrealistic to expect retirement benefit recipients to keep pace with this kind of growth, but I do think sharing a small portion of the per capita personal income growth is more than justified. Although a 17% increase would not begin to pay recipients back for losses in purchasing power over the past decade, or even over the 21 months since the last increase, it would, for the first time, boost recipients beyond increases in the cost-of-living. Without considering further automatic standard-of-living or cost-of-living increases, a 17% increase in January would, over a period of 33 months pay recipients back the \$134.00 loss in purchasing power their benefit income has suffered since February, 1968.

In other words, a 17% increase would share some real income growth with recipients; it would allow recipients to overtake the 10% rise in consumer prices since the last benefit increase, and to overtake the 28% rise in prices since 1960: it would also repay recipients after three years for the \$134.00 (average per recipient) lost to inflation over the past 21 months.

In addition to a 17% across-the-board increase effective January 1, and an automatic increase mechanism based on rises in the "standard-of-living" formula, I have proposed an increase in minimum monthly benefits from the present \$55 to \$100.



It is clear that few if any Americans can live on an increase of \$55 per month. Many recipients of minimum social security benefits are forced to the welfare rolls in order to survive, entailing additional administrative costs as well as a hopeless feeling of dependency.

## II. COSTS OF SOCIAL SECURITY IMPROVEMENTS

Despite the fact that social security trust funds now contain a surplus equal to more than one-year's benefit pay-out, there is no question that large across-the-board increases, automatic standard-of-living or cost-of-living increases, and other improvements which I and other Members are supporting will cost money. I am today asking this Committee to adopt some new principles in its consideration of social security revision. I do not pretend that adoption of these principles can be accomplished without increased revenue. While I leave to this Committee's wisdom the task of finding ways and means of providing this additional revenue, I endorse, in principle, the President's proposals for funding his plan for automatic increases. I would not shrink from an expansion of the wage base from which social security taxes are drawn—and I would prefer this to any major increases in the rate of the tax on the present wage base—which would make the tax even more regressive than it already is from the standpoint of the participants' incomes.

One further thought on the social security tax base. I realize that this program was conceived as retirement, disability and old-age insurance program for those working in covered employment, implying that what is received would have a fairly direct and close dollar relationship to what is contributed. It has not, for good reasons, worked out that way. Some recipients receive far less than they contribute, and others far more as in any insurance system. One example of this, is that recipients who earn incomes far in excess of the maximum wage base for social security tax purposes are less likely to be penalized by benefit reductions under the retirement test after age 65. That is, those earning substantial incomes are frequently able to retire without returning to work to supplement their social security, private pensions and investment income. Since they do not earn after retirement, their benefits are not reduced.

On the other hand, those participants who earn less than the maximum wage base are less likely to be able to carry themselves through retirement without at least moderate amounts of additional earned income. Today, if they earn over \$1,680 a year, their benefits are sharply reduced. Although we cannot generalize this for each individual or each income level, workers with relatively lower incomes stand to lose more in retirement benefits than wealthier participants, who have paid little if any more social security tax.

I was not able to get any figures on the seriousness of this problem. I suspect this is a strong argument for raising the wage base, or substantially liberalizing the retirement test, or both. I would request, Mr. Chairman, that the Committee instruct its staff to study the interrelationships of these factors before finalizing the revenue portions of a new social security bill.

## III. TO WORK OR NOT TO WORK

Mr. Chairman, not all workers retire because they want to. Some retire at age 65 or earlier because of compulsory retirement policies of their employer. Others have not been able to learn or adopt to new skills needed in today's job market, or are unable to find new employment because of the premium placed on younger workers. It is a fallacy to believe that all or even most recipients of social security retirement benefits have willingly left permanent employment in order to enjoy a comfortable life of leisure.

While some benefit recipients seek full or part-time employment in order to keep active, most go back to work because they need the additional income in order to live. The earned income limitation, or "retirement test" does not take account of these realities.

Under the present structure of our social security system, an individual is presumed to have enough to live on if he earns \$1,680 above and beyond his social security payments.

H.R. 14363 proposes a substantial liberalization in the earned income limitation—effectively eliminating it for most recipients. My bill would eliminate a limitation determined solely by "earned" income. Instead, H.R. 14363 would allow a recipient to receive income from all sources totaling \$580 a month—or a total of \$6,960.00 per year. Thus, recipients receiving total income (including social



security benefits) over this amount would be subject to reduced benefit amounts under present procedures for reduction of benefits.

This new provision would tie social security payments to total income not just earned income. Obviously, this provision would mean a major change in the assumptions of the social security system. It would mean that some workers with high post-retirement incomes would receive little in benefits.

But today, the situation is reversed. Those who are at the lowest end of the income scale stand to lose most from earned income restrictions, while wealthier retirees receive full and tax-free benefits, unreduced by their substantial investment and other income. This is one reason why our elderly fare so poorly compared with others in the economy. It is one reason why there is a high proportion of poor people among the over-65 population.

Clearly, this provision does not solve the whole problem, but together with a major increase in the minimum benefit and in the overall benefit rate, this would be a giant step toward true economic security for the elderly. There is no question that a social security system reformed in this way would have to be presented differently than the present system. The social security tax is a tax even now, and not a true contribution to a retirement system. We must call it a tax and redefine the goals it is designed to serve. The success or failure of the system should be judged on the basis of its overall effect on the elderly and disabled as a segment of society, not solely on its rate of return to individual social security taxpayers.

There is another counter-productive feature of the present system affecting working recipients which should be changed. Today, a recipient who has to work in order to support himself must pay social security taxes on his earnings even though he is already receiving benefits. Unless the additional quarters he works would enhance his future rate of benefits, he receives no gain whatsoever from the post-retirement social security taxes he pays. In effect, recipients in this situation are penalized twice on their earnings. If they earn over a certain amount their benefits are reduced drastically, and if they work in covered employment, they contribute additional taxes which will have no beneficial effect on the level of their retirement benefits.

If the present assumptions of the earned income limitation are retained, and I hope they are not, I think serious consideration should be given to allowing workers over 65 to elect whether or not to pay additional social security taxes. Those who will gain by having more quarters of covered employment will continue to pay the tax. Those who can gain nothing will not be required to pay this additional penalty, which, in effect, reduces their benefits.

#### IV. SPECIAL PROBLEMS OF THE SELF-EMPLOYED

Mr. Chairman, I have already stated that even the social security system of today has lost any very direct relationship between what an individual contributes and what he gets back from the system. Reforms which I and others have proposed would even further remove the system from this initial goal of thirty years ago. I do not think this is wrong; I think it is necessary to adjust the social goals of the system to the changing needs of American society.

There are some citizens, under present laws, who contribute nothing to the system but are paid benefits under a special provision. There are others who pay large amounts of social security taxes and who because they continue to earn high incomes beyond the retirement age or for other reasons, receive little or no benefit from the system.

Caught in the middle of this changing nature of the social security system is the self-employed farmer, small businessman and professional. Because there is no employer's "contribution" to be added to the social security account of a self-employed man, he is now asked to pay one and a half times the social security tax paid by an employee with the same income. In theory, the self-employed taxpayer comes out better than his employee counterpart because the total "contribution" in his account is only  $\frac{3}{4}$  of what the employer and employee together contribute to the employee's account, while the self-employed man is entitled to the same benefits at the same rates.

In practice, it has not worked this way. Self-employed people tend to retire from full time work at a later age than employees. Many farmers and small businessmen can just not afford to close up shop at age 65. Many professional people are in the same position. Physicians in small towns remain in practice for years beyond normal retirement age because there are no younger doctors to take their places.

What this means for many self-employed is that they pay more in taxes and receive less in benefits as a group than employees at the same levels of income.

There is a further consideration here. The Federal government has adopted policies and programs aimed at encouraging small businessmen and farmers to remain in business. The effect of a higher social security tax rate for self-employed is to work against this goal.

H.R. 14363 includes a provision that would tax self-employed at the same rate as employees earning the same income.

I hope that your Committee will give serious consideration to removing the present penalty imposed on self-employed persons.

#### V. OTHER NEEDED REVISIONS

Mr. Chairman, a glance through the calendar of the Ways and Means Committee indicates that there are a host of relatively minor social security revisions which have been the subject of a great number of bills introduced in this Congress. The Committee, and I am certain the Committee staff, is familiar with the arguments for and against many of these proposals. Without reviewing each proposal in great detail, I would like to summarize the remaining provisions of H.R. 14363:

Because of the increasing costs of medicines and drugs, and the increasing share of older persons' income that must be set aside for prescriptions, I have proposed that prescription drugs be covered under the supplementary medical insurance program.

I have also proposed that the costs of "services of a home health aide or a home maintenance or both" be covered under the supplementary medical insurance program. I feel that this provision would enable many older people to remain at home with the help of these aides, who otherwise would require costly care in an institution.

For many persons who are seriously disabled by blindness, loss of limb or other injury of protracted duration and seriousness, the 6 month waiting period now required before filing for disability payments thwarts the purpose of the disability insurance program. The incapacities qualifying under a provision of H.R. 14363 are those certain to persist for 12 months as required for disability compensation under present law. This provision would permit those afflicted with certain severe injuries or disabilities to file immediately for compensation, waiving the 6-month waiting period, so that benefits will be provided during the most costly and difficult days—the first days—of the disability period.

Another provision of H.R. 14363 allows married couples to file for benefits based on their combined earnings record. Under present law, if husband and wife each earn \$200 per month, they are together entitled to less in benefits than if the husband earned \$400 per month and the wife earned nothing.

Women with 30 years or more of coverage would receive unreduced old-age insurance benefits under Section 6 of H.R. 14363. This provision would help assure that working wives will receive the full benefit of their years of covered employment without subjecting their rate of benefit to reduction based on a spouse's insurance coverage.

H.R. 14363 takes the final step, begun with the Social Security Act Amendments of 1961, by raising widows' and widowers' benefits to 100% of the deceased spouses' primary insurance amount from the present 82½%. The 1961 act raised the amount from 75% to 82½%.

#### VI. PRESIDENT NIXON'S FAMILY-ASSISTANCE PROGRAM

Mr. Chairman, I am a co-sponsor of H.R. 14174, the President's welfare reform proposals. While I have not studied alternative plans in detail, I enthusiastically support the underlying feature of the President's plan, the necessity of reforming the *structure* of our public assistance system.

The President has recognized that patchwork changes in amounts and details of our present system cannot adequately reverse the worst features of the system. We cannot, by merely increasing the federal share of welfare costs, change the fact that what we know as welfare today encourages generation after generation of dependency, discourages productivity and discourages normal family life among the poor.

The President has already sent expert witnesses from the Executive Branch to discuss this intricate proposal before your Committee. I shall not pretend to



have their command of the details and ramifications of the individual provisions of this bill.

I think the President should be commended for being the first President to come forth with a truly revolutionary welfare reform plan, especially at a time when pressures within the Federal budget make the implementation of such reforms an expensive process.

The manpower training components of this plan, and the tying of welfare to productive work contain the seeds of someday reducing the overall need for public assistance payments to those physically able to work. The greatest hope for this plan is that it holds promise of reducing welfare as a growing and self-perpetuating institution.

The one feature of this program which cannot be corrected is that it may have come too late. The defects in our present system were apparent ten years ago, and needed correction then. This will make all the more difficult the task of changing the nature and direction of a welfare program which has grown to be vast, expensive and inefficient. President Nixon has seen the need for a very high priority on phasing out this onerous system immediately. I hope the Committee will concur with his judgment on this task before all of us and deal in depth with the problem of welfare reform at the earliest possible moment.

Your hearings on welfare and social security reform so soon after the President's announcement of his domestic programs are an encouragement to the Nation that this stone of welfare will not be left unturned much longer.

Mr. Chairman, I thank you for the opportunity to present my thoughts on these legislative proposals. There is much in my testimony which advocates expensive reforms, and even reversals in past and present policies. In both social security and welfare, we are dealing with systems, large parts of which have proven themselves obsolete and inefficient by today's demands and standards. It is my hope that at least some of the proposals I have offered will help this Committee to bring our programs for helping the poor, the disabled, and the aged into line with the needs of America in the 1970's.

Mr. ULLMAN. Thank you very much, Mr. Horton, for a very well documented statement.

Are there questions?

Mr. Betts?

Mr. BETTS. I just wanted to say, Mr. Horton, it looks like you have done a lot of work and some independent thinking on this and I think it will be food for thought for the whole committee. I appreciate it.

Mr. HORTON. I thank the gentleman from Ohio.

Mr. ULLMAN. Mr. Schneebeli?

Mr. SCHNEEBELI. Congressman Horton, I reiterate what Congressman Betts says about your having a very comprehensive statement and I tend to agree with you, particularly in the area of the self-employed. For quite a long time in this area of social security I think that the self-employed have been overtaxed, with the 50 percent additional contributions they are forced to pay, and I agree with most of what you have to say on this matter and I will be glad to review your comments on the matter further. Maybe we can help this group which I think is being overtaxed at the present time.

Thanks very much.

Mr. ULLMAN. Thank you, Mr. Horton.

Mr. HORTON. Thank you.

Mr. ULLMAN. I see our colleague, Mr. McEwen, in the room.

We are happy to welcome you before our committee again, Mr. McEwen.



**STATEMENT OF HON. ROBERT C. McEWEN, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF NEW YORK**

Mr. McEWEN. Mr. Chairman, I am grateful to you and the members of this committee for the opportunity to appear and testify on the subject of amendments to the social security law. I shall try to make my testimony brief.

First, I am confident that this committee will report a bill which will provide needed increases in social security benefits. Social security, originally conceived as a defense against the effect of an economic depression, must now respond as a shield against the enemy of inflation. Increased benefits are a necessary part of that response.

In addition, I feel that some change should be made in the direction of liberalizing the allowable earnings of beneficiaries. Many of our senior citizens are desirous and capable of contributing their varied talents to our economy and society and, at the same time, if they were encouraged to work, would be making their own effort against the effects of inflation. I would here cite one specific situation that was brought to my attention by correspondence received from, and meetings with, the people concerned. They were the administrator of a community hospital and ladies who were receiving social security benefits who had been trained as licensed practical nurses under a program funded by the Manpower Development Training Act. The administrator testified to the need of his hospital, more particularly the need of the patients to be cared for, for the services of these women. They, understandably, were reluctant to work full time because they did not wish to lose, or have reduced, their social security benefits. Thus, we have the contradictory situation of one Federal law, the Manpower Development Training Act, encouraging them to obtain new and needed skills while yet another Federal law, our social security law, inhibiting them from using these skills for their benefit and that of their fellow citizens.

While I could cite, and I am sure you are also aware of, similar situations involving other skills, the particular situation that I have referred to becomes of special concern since there is a growing nationwide need for trained personnel in the field of health services.

Finally, I would call to your attention and respectfully urge that this committee propose an amendment to the present law to extend medicare and supplementary medical insurance benefits to beneficiaries who, because of the lack of appropriate hospital and medical services in this country, must travel to a neighboring nation for treatment for their particular illness.

The benefits offered by medicare and supplementary medical insurance are an empty promise if the needed hospital facilities and medical and paramedical skills are not available. This has been the experience of a number of my constituents living near the Canadian border.

The Department of Health, Education, and Welfare, in its report delivered to this committee in June of this year, recognized this problem when it said, and I quote from that report:

The main problem of medicare beneficiaries living in the United States along the borders of contiguous countries, in particular along the Canadian border, is that some of these persons depend on hospitals and other medical facilities across

the border, as a normal pattern. Those facilities are often more accessible and more adequate than the closest facilities available in the United States. The restrictions under medicare against reimbursement for care obtained in such facilities outside the United States, except in cases of emergencies occurring in the United States, cause a very real problem for the border residents who use these facilities before age 65 and would continue to do so afterward except for the restrictions.

I repeat, that is a quote from the report that your committee received from HEW.

It must be admitted that the total number of such border residents is small. They are but a tiny portion of the great number of medicare beneficiaries but this does not lessen the inequity of the present law denying to them the benefits that they would otherwise receive.

Five of the six counties of my congressional district are contiguous to Canada, or border on the international waters between our two countries. I have contacted all of the medical societies and several of the hospital administrators in my district and the overwhelming majority of those replying have expressed their favor for extending the benefits for treatment rendered in Canada to cover other than emergency situations that are provided for in the present law.

The Department of Health, Education, and Welfare, in its report to this committee of last June, concluded that unilateral extension of medicare to cover this situation does appear to be feasible, both from the viewpoint of economy and administration.

I would, therefore, respectfully urge that this committee report an amendment that would provide medicare benefits for those otherwise entitled, regardless of whether or not it is an emergency case, if they choose, or are referred to, hospitals and physicians in Canada.

I believe that the test must be based upon the availability, or the nonavailability, if you will, of needed hospital and medical facilities and skills for a particular illness rather than on distance set by an arbitrary mileage figure. We know that those who are ill, and their families, do not desire to be further from their homes than the availability of the required care and treatment.

HEW, in the report to this committee which I mentioned earlier, stated, and I quote: "The establishment of any arbitrary line, whether a border, or any distance beyond it, is likely to cause some cases to be denied merely by virtue of where they occur."

There are areas in my own congressional district where the people can more easily travel to Canada than they can to medical centers in the United States. Frequently, they are referred to such renowned institutions as the Royal Victoria Hospital, Montreal General Hospital, and the Montreal Neurological Institute by their American doctors. I am confident that you will agree with me that it is an injustice to deprive our senior citizens of the benefits of medicare and supplementary medical insurance when they avail themselves of the opportunity to benefit from the fine skills and services that these hospitals have to offer.

The following are excerpts from letters which I have received from hospital administrators in the 31st Congressional District in New York prior to my testimony before this committee:

"We feel that your idea of placing the emphasis on availability of needed medical facilities rather than on a distance test has merit. Speaking of northern New York many people tend to seek specialized care in Montreal and Toronto



rather than seeking the same type of care at Syracuse Upstate or Albany Medical Center."

"It would certainly benefit the traveler and people on vacation who may find themselves in an emergency situation. We do not feel here that it would affect our census to any considerable degree although it is possible that it may affect other hospitals adversely."

"We would strongly recommend the amendment you propose to extend Medicare coverage for emergency situations in hospitals of foreign countries when such facilities provide needed services for the patient. In our personal experience here we have referred patients to specialists in Kingston Ontario who can provide services for patients that are not as readily available in Syracuse, which would be our nearest referral center."

"Our village overlooks the Canadian shoreline. Travel between our countries is an accepted routine. Now, because someone covered by medicare here at home, rides a few feet across the boundary line and either through accident or unexpected illness needs hospitalization, they must bear the entire expense even though covered with medicare in our country. To me, this does not make sense. No other insurance, Blue Cross, etc. denies their policy holders this privilege."

"I know that it is more convenient for some of our northern people to go to Montreal rather than to Watertown, Syracuse or Burlington for medical attention not available in the smaller hospitals and likewise some of the people in our area of the border find it to their advantage to use hospital facilities in Kingston, Ontario. I can see no objections to the Medicare program reimbursing Canadian hospitals for services rendered to those people assuming, of course, that only accredited hospitals are included in the plan."

"In answer to your question concerning medicare coverage of Americans in Canada I would strongly urge extending these benefits to non-emergency situations for the following reasons:

1. In our area specialists are not available and this would benefit the patient.
2. Some patients find that travelling to another city in the United States is inconvenient and a greater distance from home. It would be less of a concern for families and much more convenient for all concerned.
3. We won't have a great problem with increased competition at least in northern New York because we just don't have physicians or facilities available to us in this area."

"As you know, we are in the process of building a ten million dollar Medical Center which will make a total eighteen million dollar complex to provide a complete range of medical specialties for the one hundred and fifty thousand people in Clinton, Essex and Franklin counties. In the short term, a bill of this nature could conceivably have the effect of reducing our patient load which are attempting to build up in order to provide a large enough base for the complete kind of service which we aspire to provide. However, looking at it from a larger view, I believe, it is clearly in the public interest to have arrangements which would allow for the movement of people to those facilities and physicians whom they feel can best serve them. Consequently, I would be in favor of the bill as you outline it."

"It is my opinion that the Neurological Center at the Royal Victoria Hospital in Montreal stands head and shoulders above any institution in that particular field of medicine and I think it would be an injustice if we deprived our elderly the opportunity of this particular service. On the other hand, other phases of specialized medicine and surgery are adequately provided for in Watertown and Syracuse and I do not think we should shun these institutions and medical practitioners."

"In the event that there are better qualified and more outstanding physicians in any particular field in Canada the patient should have the opportunity of having the services provided. The mechanics of this could be perhaps worked out by the United States doctor, whereby he specifically states that it would be of the best interest of the patient to see a particular Canadian physician."

"In my judgment, extension of coverage to non-emergency services and situations would be valid if the provider of care offered at least equal or superior services—here I am thinking of physical facilities, physician specialists and standards of care—to the nearest hospital in the United States offering comparable services. In the case of your constituents along the border, Canadian hospitals would qualify because of their known acceptable standards and range of services. I would agree, by all means, that emphasis should be placed on availability of needed services in a foreign neighboring country rather than



distance only of a facility from the patient. Provision should be made in the law for United States citizens to avail themselves of services in such foreign hospitals providing, of course, the hospitals meet "Conditions of Participation for Hospitals" as prescribed for United States hospitals and are in fact certified through some arrangement between the United States and foreign government. In this way our government would be serving the best interest of Medicare patients as to their medical needs which is the intent of the law."

The following are excerpts from letters which I received from officers of county medical societies who are in the 31st Congressional District of New York:

"I feel that the purpose of the health programs is to give the best Medical care and treatment available to our patients. I do not believe that state or national boundaries should interfere with this process. It is also my opinion that patients should have the right of choice of physician and a facility."

"In principle, I feel the Medicare Law should give its total benefits wherever its recipients might be, and regardless of the non-emergency status of the illness."

Mr. Chairman, and members of the committee, I thank you for your time and attention.

Mr. ULLMAN. Thank you, Mr. McEwen.

Are there questions?

Mr. BYRNES. No. I want to congratulate the gentleman, though, for calling our attention to this serious problem that does exist along the borders. The normal tendency is to go to the hospital closer to your home and that does mean that there is a tendency to go into Canada by some of your constituents.

Mr. McEWEN. I say to the gentleman from Wisconsin that is correct and I appreciate the concern as evidenced by this report that I know came at the request of this committee, because there is always that danger that there are so few that are involved they are liable to be overlooked, and it is admittedly a very small portion of the total population that is concerned with this problem.

Mr. ULLMAN. I, too, want to join in thanking you for bringing this matter to our attention. Thank you very much.

Mr. McEWEN. Thank you, Mr. Chairman.

Mr. ULLMAN. I see our colleague, Mr. Koch, is here.

We are very pleased to have you before the committee again, Mr. Koch.

## STATEMENT OF HON. EDWARD I. KOCH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. KOCH. Thank you very much, Mr. Chairman, and members of the committee. I very much appreciate the opportunity to testify before you. I know that probably nothing contained in my statement isn't already known to you, but I would like to add the extra impetus in support of several of the proposals with the thought that that might be of assistance.

### SUMMARY

Compared to other age groups, poverty exists among the elderly at a disproportionate rate.

Many of the aged have incomes below the poverty lines set by the Social Security Administration in 1966 and particularly below the poverty line in New York City set by the Human Resources Administration. Their incomes are far below what the Bureau of Labor Statistics says would be required for "moderate living."

Due to a number of contributing factors, Social Security benefits are increasingly the main or only source of income for retired persons.

These benefits have not kept pace with inflation.

A substantial across the board increase in benefits is essential before future benefits are linked to increases in cost of living. If this is not done we simply perpetuate poverty.

The Nixon proposals do not provide the necessary increases and would perpetuate poverty.

Every form of income should be available to the poor, so the "earnings test" should be waived completely. One should have the right to earn unlimited wages without sacrificing benefits.

Widows urgently need increased benefits over the percentages of deceased spouses benefits to which they are currently entitled.

Government must assume role in making Social Security payments. Funds should come from general revenues to supplement "Social Security premiums." This would remove stigma and humiliation of beneficiaries from going to get welfare to supplement inadequate income.

Mr. KOCH. Mr. Chairman, members of the committee, it is a pleasure for me to testify in favor of Representative Gilbert's bill, H.R. 14431, because the comprehensive amending of our social security law which this bill proposes is urgently needed.

#### EXISTENCE OF POVERTY AMONG THE ELDERLY

Recent progress in the field of medicine has eased the life for the elderly in many ways. Unfortunately, it is a sad fact that this scientific progress has not been matched by socioeconomic progress. The inadequacies of our present social security law have actually caused terrific hardship for many of the aged. As more and more people become eligible for social security benefits through early retirement and natural growths in population, their plight becomes more apparent and more alarming. Ironically, the situation is further aggravated by those same medical achievements which have increased life expectancy. Our retired population is growing older, becoming naturally less self-reliant and more dependent upon social security.

Long neglect of needed, comprehensive reforms in our social security law has relegated an ever-increasing number of senior citizens to a condition of devastating poverty, a form of living death. Let's face it, due to the inadequacies of our present system, the anticipated "gold" of the so-called "Golden Years" has, for far too many, turned out to be fool's gold, a life filled with despair and anxiety.

It is an undeniable and disturbing fact that, compared with other age groups, poverty exists at a disproportionate rate among the aged. According to a 1966 social security report three out of every 10 people over 65 were living below the Social Security Administration's established poverty line, whereas only one out of every nine younger persons was considered poor, and I would like to draw to the attention of the committee—I am sure it is already aware of it—there is an article in today's New York Times, October 23, on retired couples in New York City finding the cost of living such a great burden. I would just refer that article to you. It is on the front page of the Times.

In New York City, where the high cost of living and particularly the spiraling rents make this problem most acute, the Human Resources Administration has defined the poverty line as follows: \$2,400 annual income for a couple and \$1,840 for an individual. In 1967 one-



third of all the New York City households headed by an elderly person reported yearly income of less than \$2,000, and over one-half incomes of less than \$3,000. It should be noted that 63 percent of these households were composed of two or more people. Clearly, poverty is one of the worst and most widespread malignancies to attack the aged.

Furthermore, the economic status of the elderly seems to be continually deteriorating, compared to the rest of the populace. The median income of families with an aged head of household was 50.6 percent of the median income of younger families in 1962. In 1967 it was 46.2 of younger families' median income. This comparison shows an even more pronounced decline when one considers unrelated individuals.

In the fall of 1968 the Bureau of Labor Statistics calculated that a retired couple would need to spend \$4,547 yearly in order to live moderately in New York City. For an elderly single person the corresponding figure is estimated at \$2,501. However, the average social security benefit for a retired couple in New York City for 1968 was \$1,945.80 and for an individual \$1,247.04. This is obviously well below the poverty level for New York City and nowhere near the income required to live moderately, or modestly. It is an unrealistic floor of protection. The numbers give us a picture of the average, how much bleaker it must be for those receiving minimum benefits. There are a number of people who are receiving social security benefits who would be eligible for home relief, old-age assistance, but many people will not accept that for reasons which are obvious and they suffer even more.

#### FAILURE OF SOCIAL SECURITY BENEFITS TO PROVIDE ADEQUATE FLOOR OF PROTECTION

These statistics take on greater significance in relation to social security benefits when one realizes that those benefits are increasingly the main or only source of income for many of the elderly. In New York City the most recent statistics available show that the median annual income other than from social security benefits was \$280 for a retired couple and \$180 for a retired individual.

Why is this? Comparatively few persons reaching retirement have been able to put away substantial savings. What assets they do have are quickly exhausted, for social security benefits, increased at sporadic intervals have not managed to keep pace with and offset the increased cost of living. Increased health costs further strain the aged's budget despite the aid of medicare, which paid only 35 percent of personal health costs for people over 65 in 1967. To complicate matters, retired people lose access to the chief weapon against inflation, increased earnings. As they grow older they become less able to find work, and for the very old, less able to perform work; in addition, whatever wages someone under 72 can earn without sacrificing benefits are restricted. In sum, they are unable to share in our growing economy while inflation simultaneously erodes their fixed income. They are unable to maintain their status quo. Consider, for example, the Bureau of Labor Statistics retired couple budget. In 1950 social security benefits for a couple retiring that year met one-half of budget costs; today they cover less than one-third of those budget costs, for a comparable budget.



It is a poignant fact that this state of deprivation is too frequently a sudden and unfamiliar condition. Most of the people affected have for years participated in the economic growth of the country, they have in fact been largely responsible for that growth. In New York City, for example, they supplied the labor needed for the success of the garment, transportation, and construction industries, and every other field of endeavor. Suddenly they are in a state of indigence, cut off from the country's wealth, and solely because they have grown old and have retired.

#### NECESSARY INCREASE IN LEVEL OF BENEFITS

Clearly, there is an urgent imperative for comprehensive reform of our social security law. We must judge how much income the elderly require in order to share in the well-being of our society, and we must decide what the role and responsibility of Government ought to be in providing that income. It is my belief that at the present time, the Gilbert bill, H.R. 14431 of which I am a cosponsor, provides some suitable answers to these questions. By contrast, the proposals of the Nixon administration are far from adequate. Consider some of the specifics involved.

In order to raise the elderly from the throes of poverty an immediate increase in benefits is urgently needed. Under the proposed two-step increase of benefits in the Gilbert bill, cash payments will be increased by over 50 percent across the board as of January of 1972. Although I would prefer an increase of more than 20 percent in January of 1970—that is what is scheduled in the Gilbert bill—this proposal goes a long way toward improving the lot of the aged. Most significant, perhaps, the minimum monthly benefit for a retired worker or retired couple would be increased dramatically: Immediately to \$90 and \$135, respectively, and to \$120 and \$180, by 1972. This represents an increase in 1970 in both cases of approximately 63 percent for the lowest paid beneficiaries, and those are, of course, those whose need is the greatest.

Contrast that to the administration bill. A comparatively meager 10 percent across-the-board increase delayed until April of 1970. The minimum monthly benefits are to be raised 10 percent also, to \$61 for a single retired worker and \$91.50 for a couple. This is, in my estimation, pure tokenism, and will not alleviate the poverty that exists among the aged. Again, for the New York City beneficiary, average benefits under the Nixon bill would become \$2,140.38 yearly for a couple and \$1,371.74 for an individual. These figures are still well below the Human Resources Administration's poverty lines of \$2,400 and \$1,840 for a couple, and individual, respectively, and nowhere near the income required according to the Bureau of Labor Statistics for modern living; namely, \$4,547 annually for a retired couple and \$2,501 for a retired individual.

After these across-the-board increases have been completely granted, both bills would provide for automatic adjustments of benefits to coincide with increases in the cost of living. But to tolerate such a slight initial increase of benefits such as the administration offers and then to link those benefits to the cost of living would be to do the elderly a shameful disservice. It would, in effect, provide for an endless perpetuation of poverty. In short, no automatic adjustment of

future benefits is acceptable unless preceded by a substantial increase such as the Gilbert bill provides. For those special payments to persons over 72 the same criteria are applicable. The Gilbert bill, again in two stages, provides the substantial increase that is absolutely mandatory before automatic adjustments go into effect. The Nixon bill does not. In sum, adoption of the administration bill would imprison the aged even more securely in their presently deprived state.

#### LIBERALIZATION OF EARNINGS TEST

I would like to now touch upon another bill and one that I introduced and I know that others have introduced throughout the session and prior to that.

It seems clear to me that in order to avoid the poverty which seems to be spreading amongst the elderly every possible avenue of opportunity ought to be available to them. This brings me to the so-called earnings test.

Under present law any beneficiary earning outside income through wages in excess of \$1,680 annually is in effect punished, being required to surrender \$1 in benefits for each \$2 in wages earned up to \$2,880 and then \$1 in benefits for each additional dollar earned above the \$2,880 figure. This naturally curbs the potential income of many elderly persons willing and able to work.

And I would like to just digress for a minute and give you a personal story with respect to people who are on social security and would like to work. My father who now is over 72 had his own business. He was a fur manufacturer and he worked all of his life very hard. He is a marvelous man, had two jobs many times, particularly during the depression, and then had his own place, and then when he reached the age of 72 he decided that he would retire completely and he did. He retired and perhaps was out of his business for 6 or 8 months when he called me and he said he was miserable being retired, just miserable. And he asked could I help him get a job. I said, "Listen, Papa, you know I can't get you a job on any Federal payroll. I just couldn't do that and you wouldn't want me to, but I will try and I will call friends of mine in private industry who might be interested." On the other hand, and, at the same time, he went out and he found another job himself in the same fur manufacturing industry in which he had been an employer, and I want to tell you gentlemen, that he feels much better for it. He looks younger and he feels much better, and there is a stride in his walk and a sprint in his walk and the way he looks at life, and it is so much better being back at work although he is over 72, and I think it is very important that the elderly be encouraged to work and not to be penalized.

I do not think that it is fair to penalize one who wishes to supplement a fixed income that is obviously not enough for his or her support. Further, I believe it is demoralizing for that individual who is accustomed to work and is still physically able to do so. The life-long wage earner who has no dividend income from investments which are not covered by this provision is naturally prejudiced unfairly. That is a grossly unfair provision that you can receive income from every other source except from the income that comes from the use of your mind and the use of your hands. And I have introduced a bill, H.R.



10393, which proposes that all beneficiaries, not just those over 72, have the right to work without any income limitation and while doing so keep all of his social security benefits which are his as a matter of right, not one of charity.

There is another point which I would like to mention briefly. Particular attention must be focused on the economic plight of the widow. In 1966 the Social Security Administration estimated that six out of every 10 widows and other aged women living alone had incomes below the designated poverty level of \$1,565. In New York City, of the households headed by single aged women, 70 percent reported incomes below \$3,000 and 55 percent below \$2,000. These are shocking figures which underscore the necessity of enlarging widows' benefits as the Gilbert bill does by allowing widows over 65 to receive 100 percent of the benefits that would have been payable to the deceased spouse.

#### FINANCING

Finally, and of great importance, is the consideration of how these increased benefits are to be funded. It is my firm conviction that our Government must accept the responsibility of guaranteeing to the elderly, who have worked long and hard for this country's prosperity, the right to continue enjoying that prosperity and to maintain their dignity and independence. The funds required to lift them from their economic degradation must be supplemented by the general revenues of Government. The Gilbert bill by grafting these supplemental Government moneys to the social security fund takes a long delayed step in the direction of social justice. It is a measure that can erase the humiliation felt by many of the aged forced to report to local welfare centers due to the inadequacies of present social security benefits. It is a necessary step because we must realize that the floor of protection offered by our social security insurance concept has caved in. Contributory insurance payments alone are not enough. In this country of unequalled abundance, it is time for Government to recognize its obligations, to provide the elderly with a share of that abundance.

Thank you.

Mr. ULLMAN. Thank you, Mr. Koch.

Mr. Vanik?

Mr. VANIK. Mr. Chairman, I want to congratulate the gentleman. Our distinguished colleague has presented a very fine and thought-provoking statement.

I would like to direct the gentleman's attention to this fact, the issue of funding which he raises in the closing part of his testimony. Is the gentleman aware of the fact that under the administration's proposal deferring a provision of existing law will cost the fund \$221½ billion? In other words, there will be a reduced inflow of contributions into the fund to the tune of \$221½ billion. It seems to me that this has to be borne in mind in connection with any efforts that are made to increase the social security benefits and bring them in line with need and the real objective to support the elderly during their period of retirement.

Mr. KOCH. That is why I think the general revenues have to be—

Mr. VANIK. If we didn't change that provision of law, we would have \$221½ billion that would still be in the fund, which is a consider-



able sum of money out of which at least some improvements could be made to the law.

Mr. KOCH. Yes.

Mr. VANIK. I thank the gentleman.

Mr. ULLMAN. Mr. Gilbert?

Mr. GILBERT. I would like to welcome my colleague to the committee and thank you for the support of my bill.

Mr. KOCH. It deserves great support, Mr. Gilbert. It is an extraordinarily wonderful bill.

Mr. ULLMAN. Are there other questions?

Thank you very much again, Mr. Koch.

Mr. KOCH. Thank you.

Mr. ULLMAN. Is our colleague, Mr. McCarthy, or Mr. Whalen here? I see neither.

Our next witness is Mr. Dechant.

**STATEMENT OF GILBERT C. ROHDE, MEMBER, EXECUTIVE BOARD, NATIONAL FARMERS UNION, AND PRESIDENT, WISCONSIN FARMERS UNION; LEWIS J. JOHNSON, SR., PRESIDENT, ARKANSAS FARMERS UNION**

Mr. ROHDE. Mr. Chairman, Mr. Dechant, our national president, is en route to an IFAP meeting in Tokyo and I am Gilbert C. Rohde, a member of the executive board of National Farmers Union, and joining me this morning is Mr. Lewis Johnson, who is president of the Arkansas Farmers Union.

Mr. ULLMAN. You are Mr. Rohde?

Mr. ROHDE. Yes.

Mr. ULLMAN. We are pleased, then, to welcome you before the committee, Mr. Rohde.

I would like to call to the committee's attention that in the audience we have in support of your testimony some people from Oregon, Mr. Bob Elkins, president of the Oregon-Washington Farmers Union; Mr. Russ Stein, director of the Oregon Green Thumb program, which has been a very successful endeavor; and Mr. Charlie Bailey, also in the Green Thumb program.

We are happy to have you and if you wish we will include your testimony in full in the record and any supplemental material you have, and you may proceed as you see fit.

Mr. ROHDE. Thank you very much, Mr. Chairman.

We would like to place the entire testimony in the record as the official position of the National Farmers Union.

Mr. ULLMAN. Without objection, that will be done.

(The statement referred to follows:)

**STATEMENT OF GILBERT C. ROHDE, NATIONAL FARMERS UNION, PRESIDENT, WISCONSIN FARMERS UNION AND LEWIS J. JOHNSON, SR., PRESIDENT, ARKANSAS FARMERS UNION**

Mr. Chairman and members of the committee, my name is Gilbert Rohde, and I am the President of Wisconsin Farmers Union. With me is Lewis (Red) Johnson, President of Arkansas Farmers Union. We are here to testify for National Farmers Union on three major issues that are before this Committee, namely: the *Social Security Program*, the *Medicare Program*, and the *Public Welfare Program*.

The minimum Social Security payment needs to be increased substantially if this Nation is to prevent several millions of its citizens from spending another two years in intolerable poverty. We need to move as quickly as possible to a \$100 minimum payment.

The Medicare program, as it stands now, must be amended in order to put a stop to the abuse of a small group of doctors who are unethically taking millions of dollars from this program without regard to human welfare. It is also our hope that drugs would be included under the Medicare program and that the disabled can be given Medicare benefits.

We have seen the gradual deterioration of the public welfare system which no longer makes sense to anyone. Simple amendments will not make this system work. It needs more than amendment by this Committee. It needs to be completely changed.

We appreciate the time you are taking to hear our views as you try to reformulate these three vital programs which affect nearly everyone in America, directly or indirectly.

Farmers Union, as a general farm organization, has formulated its position on these three vital issues as a result of resolutions approved at state and national conventions. The Farmers Union represents a quarter of a million farm families, many of whom are eligible for Social Security. We have had extensive experience in the area of rural poverty and with the rural elderly through our Green Thumb and other programs. We submit herewith the Farmers Union statements on each of these three important subjects.

#### APPENDIX "A"

##### SOCIAL SECURITY

In rural America we have many poor, older people. Today, about 40 percent (7,434,000) of all of the people over 65 live in rural America. Only about five percent still live on the farm. One third of all older people reside in small towns and rural non-farm areas.

What we have seen is that the economics of farming have forced older farm people to move to town or to non-farm areas of rural America. This is nearly double the number of a decade ago.

Our older rural people are poor. Farm families which are headed by persons over 65 had an average income of less than \$3000 in 1966 compared with about \$3700 for non-farm families. Individuals over 65 living on farms received \$1350 a year, while older non-farm individuals received an income of \$1540.

Today all studies indicate the rural poor have less income than their urban counterparts.

Their health is generally poorer. Over 87 percent of persons aged over 65, living in rural non-farm areas suffer from some chronic condition. In a screening program for older people which we operate in Arkansas, over 40 percent must be referred to the hospital by the doctor. The rural older person sees his doctor less often than his urban brother. Put this against the background where nearly 40 percent of our older population are poor and with over five million below the poverty line in rural areas, with many widows and single women living alone in extreme poverty and you see why we urge a major increase in the Social Security income payment.

Inflation has hurt the elderly extremely hard—harder than any age group in the population. Social Security benefits have not kept pace. We have been in a major inflationary period for the past two years. Only about 17 percent of Social Security recipients have private sources of income other than Social Security. And 80-plus percent must rely solely on Social Security for support. It means that men and women on Social Security have suffered the misery caused by all of the inflation, leaving them groping and grasping for survival. The present minimum of \$55 per month is not only inadequate, but has doomed these people to a life of poverty. It is a disgrace to our Nation.

In general, we endorse the provisions of the Gilbert bill, but feel strongest concerning the increase of the minimum benefit to \$100 per month. We agree that there is a need for an increase in the amount of income upon which to base the Social Security payment, but feel that the general treasury should finance one-third of the cost of Social Security, one-third by the employee, and one-third by the employer.

We would also like to see an increase of perhaps \$2000 to \$2400 per year in the amount a person can earn without losing his Social Security income.



This Committee has the unique position of holding in its hands the fate of millions of people who no longer can get a job in today's competitive and skilled job market. We urge you to enact a decent minimum level of benefits for these older people so they can live decently and humanely as only such an affluent nation such as ours can provide.

During the last four years we in Farmers Union have had the experience of operating the National Green Thumb program which employs older, low income farmers to beautify the highways, roadside parks, and to work on conservation and community betterment projects. We now also operate the Green Light program for women where they serve as community aides to strengthen existing community services and also to fill the gaps between agency services. We are operating in 164 counties in 17 states.

We have yet to find any rural county in which there are not sufficient older, retired, low-income persons who are able, willing and ready to earn their way out of poverty. We in Farmers Union Green Thumb have provided more opportunities for employment to these people than anyone else in the Nation.

But the sad fact is that there are, in our estimation, over three million older and low income men and women in rural America who are able-bodied and yet must live in extreme poverty because neither jobs nor enough Social Security benefits are available. This, we believe, is one of the major tragedies of our times.

These are not men and women who are lazy. We have proved this in our Green Thumb and Green Light programs. This sad state of poverty is not confined to one county, either. It is just as extreme in Wisconsin and Minnesota as it is in Arkansas and Virginia.

It is as widespread in Pennsylvania as it is in Oregon, and as hard on human beings in New Jersey and New York as it is in Indiana and Kentucky.

*We strongly urge that top priority be given to increasing the minimum Social Security payment from \$55 to \$100.* We would be willing to forego all other benefits if this one action could be taken, for it will bring more people out of poverty than any action that this Congress can possibly take.

Thousands and thousands of people in states like Arkansas or Wisconsin, could be lifted out of poverty by this one single action of Congress. On behalf of these people, on behalf of those of us who still must farm to live—who too often find themselves at the end of a year of farming with little to show—we ask that you raise the minimum Social Security from \$55 to \$100 per month. We ask that this be financed from general revenue.

This group of people has been the hardest hit by inflation and the increase in property and sales taxes in every state in the country. They need and desire our help to make Social Security recipients really secure.

#### APPENDIX "B"

##### MEDICARE AND MEDICAID

Farmers Union has testified many times before this Committee and has always supported the Medicare program. On the other hand, we have always questioned the passage of the Medicaid program. We were the only organization to testify against it when it was originated by this Committee. We questioned it for one reason—it does not have adequate controls over the costs. We felt that some of the doctors, hospitals and nursing homes would steal the U.S. Treasury blind. They have done so.

We again implore this Committee to take necessary steps to prevent the stealing of public funds by a small number of doctors, hospitals and nursing homes who are unethical and unscrupulous enough to do so.

We feel strongly that action must also be taken against these doctors who not only abuse their profession, but also betray the trust bestowed upon them by the public. We urge the Congress to give strong authority to the Commissioner of Social Security to write rules and regulations which would control the action of this group of doctors and health facilities. Also, certain criminal penalties for these doctors should be established whenever such penalties are warranted for fraud and deception.

The recent action by Commissioner Ball on October 17, concerning the review committees needs to be encouraged by action of this Committee. Commissioner Ball must have the full and complete backing of this Committee if he is to be successful in his effort to control these costs.



We believe that the deductible features of the Medicare legislation are cumbersome and we urge the simplification and, hopefully, the elimination of these objectionable features.

We strongly urge that the disabled be included under Medicare.

We also strongly urge the inclusion of out-of-hospital prescription drugs under Medicare, to be reimbursed on a reasonable price basis and on a generic basis. We were among the first to push for inclusion of out-of-hospital prescription drugs under Medicare. Here we feel confident that a reasonable cost can be set for such a program that will be within the reach of the funds available for the Medicare system.

We would like to urge that multi-screening examinations be made a part of the Medicare system so that we can prevent illnesses rather than just pay for the cure.

Farmers Union continues to endorse the principle of a national health insurance plan to cover the cost of the major health needs of people in this country.

After the experiences with welfare medicine and its costs under the Kerr-Mills and Medicaid programs, it is hoped that more and more people will join with us in studying a national health insurance plan.

## APPENDIX "C"

### WELFARE

President Nixon has called for a review and revision of the public welfare system in this country. As he has said, we have pumped billions of dollars into our public welfare system with results that discourage the Nation. We have yet to find one who likes the present welfare system—especially those who are closely associated with it, either on the giving or receiving end.

Here are a few of the hundreds of things wrong with the system:

Vast numbers of the poor choose poverty over welfare;

Taxpayers cannot stand the continuing escalation of cost with no hope;

Some choose starvation over welfare;

"Going on Welfare" is a disgraceful and humiliating experience for most people;

Once on welfare some families hang on welfare for life;

The futility welfare brings can destroy a family and an individual;

Too many medical practitioners and facilities abuse its finances;

To receive welfare often means the family must break up;

Great differences in welfare cause mass migration to urban cores;

You can't live on most welfare checks and you can hardly exist on many;

A vast and expensive bureaucracy is costly and tied up in red tape;

Social workers have little time to really help individuals;

Taxpayers despair over rising costs and the attitudes of welfare clients;

The welfare system is so complex that only a few experts can understand it;

Citizen groups find it impossible to help improve the system;

People are discouraged from working;

Welfare is used to maintain or get rid of local labor forces;

Welfare raises kids under tragic conditions, fosters questionable attitudes;

The county blames the State which blames the Fed which blames the State;

People believe that there are "cheaters" on welfare.

Its critics and reformers point to its devastating impact upon human motivation, health, morals, employability and attitudes. Should we as a Nation continue to pour additional billions into this system, or should we modify it or take major steps to replace some of the basic points of this program?

The Economic Opportunity Act was an alternative to welfare because the public welfare system basically broke down and was not meeting the problems of poverty. While unfortunately there were many mistakes in the early battles, one thing stood out clearly—the poor began to be heard throughout the country, especially in the rural areas where the poor said that what they wanted was not a handout but a job opportunity.

It is our experience that there are darn few people who are neither sick nor handicapped who want a handout. On the other hand, few taxpayers feel that anyone should get something for nothing.

When a person is forced to lie in a hospital bed for months, his muscles and his energy deteriorate. When a person "goes on welfare," he too often begins to deteriorate mentally, morally and sometimes physically. While there have been

millions who have been given the essentials of life which enabled them to live through periods of disaster and rough times, few ever said that it did much for their character. In most areas of rural America, "going on welfare" is a terrible stigma and even the professional social worker despairs at the chances for a "three generation welfare family."

Reforms such as those recommended by the President are still too minor to really alter the basic system. Perhaps the major weakness in his proposal is the lack of job and training opportunities included in the plan. It says little to the aged, the disabled, the blind, or to many who live in the wrong state. Yet the President was on the right track, but he did not go far enough or go in enough different directions.

First, most Americans believe that people who are disabled or who have prolonged illness must have an income. We urge that the poor who are sick or disabled physically or mentally should get a decent living income. It's bad enough being sick or disabled without being in poverty. When a low income person who is head of his household is sick, blind, or disabled, he should not be put on welfare, but should be shifted to Disability Insurance with a regular check coming in and the doctor's and rehabilitation reports, the honor system, and income tax reports should be the only verification of his qualifications.

Second, every individual who wants and needs the job should have an opportunity to work their way out of poverty. Low income people often lack the training and job experience, and in most cases the economic conditions in the communities in which they live are such that they cannot get a job on their own.

These individuals need employment and yet cannot be employed in the private sector. In the Senior Citizen Service Corps, Green Thumb, National Youth Corps, and the Manpower and Office of Economic Opportunity programs there is plenty of proof that part-time and full-time jobs can be created to provide needed job opportunities for the needy so that communities will be better places in which to live. Low income people can be employed in work designed to help low income people in community services to help the sick, the disabled, the very old. Such services as these not only help to improve the way of living in the areas, but also help provide the necessary facilities to alleviate the conditions of sickness, disability and infirmity where such conditions prevail.

Low income persons can be trained to work as aides in schools, medical programs, community government, homemaker services, outreach services, conservation, research and development projects, local government, law enforcement agencies and, in fact, provide the kind of assistance to local government which will enable such government to meet the demands placed upon it. We believe this is a much better and much cheaper route to help than what is and can be provided by the public welfare program.

We urge, therefore, that the Social Security Amendments include a major new work program. In such a program there should be a provision asking that the vast majority of low income people be helped in their search for jobs. It has been said that these low income people are not capable of employment. We must add that we have found this to be untrue in our Green Thumb and Green Light programs. These people need jobs and they want jobs. We urge that the public welfare program be re-studied and re-evaluated with this in mind.

Even if a worker can work only a few hours a week, this is still a whole lot better for the individual and for the community than what can be provided by a welfare handout. Of course, at the very outset, the definition of work and what it means should be stressed. We have found in our Green Thumb program that on their first days on the job these people are often not very productive. After their first paycheck and improved food situation, however, we have found them to have developed into good solid workers—dependable, efficient and happy workers. It is surprising what a full lunch pail and a new pair of jeans or a new cotton dress and a job will do for a poor person.

We would like to address the next remarks to Chairman Mills.

Two weeks ago Dave Morrison, Willie Morrison and Seth Mize, Green Thumb Fiddlers, came to Washington and you, Mr. Chairman, were kind enough to spend four hours with them. They enjoyed their visit.

Before Green Thumb these three men were all extremely poor. As you know, Mize was starving to death on \$350 a year. Malnutrition marked his face; he had to give away his kids due to poverty. Willie and Dave were in no better condition.

However, the three of them—Willie, Dave and Seth—did not apply for welfare. Their reason is simple. They are proud mountain people. They would



rather starve than go on welfare. We in Farmers Union believe that it is such a tragic thing when a system that has been set up to help people is so bad as to force these good men to make such a decision. Our question is, can we, as a Nation, honestly and conscientiously permit such a system to continue? A system that obviously has not proved to be the answer to poor people's problems?

This feeling is generally true in all of Arkansas. There are today many people in Arkansas who are eligible for public welfare. However, these people have continuously refused to stand in line for a handout. They have seen what the system has done. We can give you the names and addresses. These people would rather do anything—even starve—than have their names be listed on the welfare rolls. Yet, in any Arkansas County, send out a call that a Green Thumb job is available and there will be a line a mile long. Something is basically wrong with our present system.

Chairman Mills, you have seen what Green Thumb has done. Other members of this Committee have also seen what the Green Thumb program has done in Wisconsin, Oregon, New Jersey, Pennsylvania, Kentucky, New York and Virginia. We ask you now, is this not a better way for the taxpayers than the present public welfare system?

Two weeks ago, as you may have heard, the public welfare office in Arkansas had forbidden those who are on their rolls to work part-time on public service programs. In Pulaski County, a number of Green Light workers have resigned because they had no choice. The part-time job with Green Light would have meant the loss of whatever small benefit these people get under the welfare system, despite the fact that the total combined income that these people get from Social Security and welfare is far below the level set by the Office of Economic Opportunity and Social Security Administration.

Previously, under the Economic Opportunity Acts, an individual on welfare could earn up to \$85.00 a month on Manpower and Office of Economic Opportunity work. As of July of this year, the amount has been reduced to \$50.00 a month in addition to their welfare check under the Social Security Amendments. Now, the State Director of Welfare in Arkansas has interpreted the law in such a way that he has contended that people who are on welfare and receiving Social Security benefits at all, should not receive or work toward additional monies or income.

Our Arkansas Green Light workers who get the minimum Social Security and a little welfare, cannot work even part-time under our program without fear of losing whatever they have been getting under the welfare system. Needless to say that even with this additional income from Green Light or any other public service program, the income involved is still far below the so-called "living" income.

We should not only change the wording of the welfare law that discourages people from work and employment, but we must also help provide the kind of jobs and employment where these people can work so that they will be better individuals and help the communities in which they live become better communities.

The time has come, we believe, for a real and actual analysis and evaluation of the whole system, especially where public service jobs are concerned. To be truly effective, the purpose of a jobs program should not be to "force out cheaters" of the welfare program, but rather to provide a positive alternative to the welfare check.

Motivation for employment should be written into the Social Security Act and should be of a positive nature rather than motivation of fear.

We believe that such a program cannot be done by *one* agency. But there must be freedom to contract through the Manpower Administration with a variety of agencies. The WIN program is only a start.

We have tried to determine what it really costs to handle an average welfare case. While it is possible to determine the amounts on welfare checks, we have found it impossible to obtain or even calculate the actual overhead costs involved in the administration of the public welfare program by the city, county, state, regional and Federal agencies.

It is our frank belief that on a per person basis there are higher administration costs involved in the welfare program than what we spend per person on the Green Thumb program. It costs less than \$2,200 per year to hire a Green Thumb worker to do a community service job and lift his family out of poverty.

If we can do it and come out with men and women you can be proud of and who are proud of themselves after having had the opportunity to work their



way out of poverty, is this not a better and more satisfactory solution to the problem of poverty?

After you take out the disabled, the sick, the handicapped and those who can work part-time there are still many left. There will always be persons who because of emergency situations no one can foresee, will need help from welfare. There should be a provision for these persons—for those who are in dire need.

The welfare program has grown so large that some of its major sections, for the sake of effectiveness, must be spun off into more effective, more humane programs.

It is our firm conviction that unless we place this woman and manpower where they can be put to use, we will never see the good society, the kind that we in Farmers Union and you in Congress and all right thinking citizens would like to see.

MR. ROHDE. I would like to spend a few moments, however, with the committee and in our own language express our support for the consideration of the measure that is before this committee this morning that relates itself to the social security program, medicare program, and the public welfare program.

Our position generally, as a general farm organization, concerns itself primarily with the problems of people in rural America. While we are tremendously concerned about the overall problems of society, our particular area of concern and interest deals primarily with those people found in rural America. As such, we want to point out that the needs for strengthening all of these programs are just as great in rural America as they are in the cities, so, therefore, we are recommending that the minimum social security payments need to be increased substantially if this Nation is to prevent several millions of its citizens from spending another 2 years in intolerable poverty.

What we would like to see is the payments increased to about a hundred dollars minimum.

Then moving quickly to the medicare program, we think that there have been some flagrant abuses by doctors and hospitals and, additionally, we hope that those loopholes will be plugged and that drugs would be included under the medicare program.

Then, of course, we would like to see a complete overhaul of the welfare program, and my colleague, Mr. Johnson, will go into detail on that.

Let me read for the record a couple letters that I received from some elderly citizens. The National Farmers Union has pioneered in poverty programs in rural America. Our Wisconsin Farmers Union is currently sponsoring a neighborhood youth corps in 19 counties in northern Wisconsin and so we have had some experience in that field.

We are also sponsoring a green thumb program, which is funded through the Department of Labor by Nelson amendment funds, a program which is designed to assist low-income elderly citizens in useful work in the community, and the program has been extremely successful. We have gotten a lot of publicity. There is a farm magazine that is distributed to almost every farm home in Wisconsin and recently they did a two-page spread on our green thumb program in Wisconsin and as a result we get many letters from elderly people asking how they can participate since we are limited by the number of jobs we can offer and we are limited geographically, but here is a letter that I received from an elderly couple who live at Cuba City, Wis., which is a small town not far from Madison in a very productive area in the State of Wisconsin. It reads as follows:

I read about your green thumb program in Wisconsin Agriculturist. I am 64 years old, worked on a farm most of my life. From what I read about the program it is something I could work at and I need the extra income. At present my wife and I are getting an allotment from our boy in the Navy and I get \$44.40 social security and some welfare. My wife and I were both in the hospital last summer from heart trouble and I sure could use some additional money.

Another letter comes from Lancaster, Wis., in southwestern Wisconsin. He says:

I am interested in the work of the Farmers Union green thumb program. I am 70 years old and live alone. My income is \$76.10 in social security, \$72.10 after health insurance is deducted. My health is good. I have worked at construction work most of my life. I read your article in the Grand County News. I would like to learn more about it.

Well, I could read many letters into the record about the need for increasing social security funds going to those people who do not want to accept welfare, people who have worked in rural America all their life, have tremendous pride, wouldn't accept it if this was offered. They want an opportunity to live out the remaining years with some degree of dignity, and in this affluent society of ours I think we have the resources and the ingenuity to provide that opportunity for our senior citizens who have contributed so much to the welfare of this country.

I would like to now ask my colleague, Mr. Lewis Johnson, to give you his version of the needs for strengthening the provisions of the measure before you for consideration.

Mr. ULLMAN. You are recognized, Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman. It is good to be before this committee and we appreciate this opportunity and, of course, I personally feel that I am before a neighbor. I believe you are from Louisiana, aren't you, Mr. Chairman?

Mr. ULLMAN. I want it to be clear that I am Congressman Ullman from Oregon. Mr. Boggs isn't here at the moment.

Mr. JOHNSON. Is that right? Well, I thought that was your name.

I would like to cover about three points with this committee this morning, if I may, and before I cover them I would like to give you a little background information because, after all, since 1965 we have been working in antipoverty programs from the NYC program in 1965 until now we have been sponsoring over six or seven programs dealing with young people and especially the older people. We have one program, as Mr. Rohde told you, the green thumb for the men, the green light for the women. We have also sponsored another program under the Commission on Aging that we call the CASA program and that program was funded to deal and to go out into six counties and find our older people and see what their needs were and to sort of tabulate that need, Mr. Chairman.

We call it the CASA program, which is community action for senior Arkansans, and in this program in the last year which is this year, we added a mobile health unit to it and this mobile health unit, of course, was supervised and operated under the supervision of a medical doctor, two practical nurses, and we examined people over 55 years of age.

Now, what I am trying to say to you is we are talking about what we believe is one form of preventive medicine.



Mr. Chairman, I am glad you got here. I feel more at home.

The CHAIRMAN. Glad to see you.

Mr. JOHNSON. We believe this is one step that we can help prevent our older people from going to the hospitals and actually having to have medical care by examining them ahead of time and if they need medical attention refer them to their own local doctors.

Now, our record shows that out of 5,000 people that we examined over a six-county area we referred 72 percent to the doctor of their choice. The facts have been we did not examine them unless they gave us a doctor, if they hadn't been going to one, at least one that they would go to. We checked them for glaucoma of the eyes, for high blood pressure. We ran a heart check on them and we checked them for sugar diabetes. We made a series of checks and we found that out of this checking that we referred over 72 percent to their local doctors.

Now, we believe this type of program in our rural areas should be expanded and implemented to the point maybe to even include some treatment and lowering the age to 45 or to 35. Of course we think that really the nice way to handle it would be to make a family service out of it and examine the whole family. We believe this type of program will help prevent illnesses and will keep a lot of our older people out of the hospital.

Now, a few words about the opportunities of employment under the welfare system as we know it now. I believe President Nixon has stated that he will review and revise the present welfare status. Well, we would certainly like to recommend, if we may, that we do completely away with the word "welfare." It seems to us that we place a stigma upon the people that share in this program that shouldn't be placed upon them. Let's do away with it as we know it now and the needy people, the crippled, our children, and those that would automatically draw funds from this program, let's put them on social security and mail them the check directly.

Now, as far as people 65 and over, put them automatically on social security and let's work out a work program with them whereby we can give them work opportunities that they may have opportunity to work and to earn a living.

Now, in Arkansas, and I see our distinguished director has arrived, Mr. Blaylock, in the room, I believe our payments range probably from \$55 to \$85 a month. Let's quit kidding ourselves. People can't live on \$55 minimum on social security and they can't live on an average of \$58 or \$60 minimum on what we call the welfare program.

Now, maybe we philosophize a lot and we don't expect you gentlemen to jump up and clap your hands because we realize you are the watchdog over the Treasury but we would like to at least give you some country boy philosophy if we might.

We would like to suggest as we reduce our spending in other areas that we include this spending in a program of social security for our old people. It is our belief that this is one way, Mr. Chairman, that we can keep our national income up and yet not have inflation. We don't believe our older people who are spending this money will cause inflation and so we would like to recommend to you as you study these problems that let's put some more money over into social security.

Now, I know the old law probably and thinking has been let's keep it on an insurance basis of actuaries and all of that. Those things I am



not too familiar with. The thing that I am familiar with, gentlemen, is this: A single person can no longer live on \$55 a month and pay 20 percent of that for medicine.

Now, let's quit talking about halfway doing a job. We do have an obligation to our senior citizens. Let's fulfill it. And, of course, with what little economics I had, and we used to call it the barnyard type, we believe actually money plowed into this type of a program stimulates business just as surely as money plowed into any other type of program. We simply believe now, Mr. Chairman, that we must keep a large national appropriation to keep full employment.

Now, the main question is how are we going to spend this appropriation. So we are saying to you as you cut back on other programs, and we would hope maybe that it is the war effort or something as is needed, but as we cut back let's not reduce the total appropriation. Let's come back and fill this great need that we have here and still keep a strong economy and a full employment.

Well, as I stated in the beginning, that is some of our rural philosophy. We think it is practical. We think it makes good sense. We know the cause is right.

Now, just one other word and then I will close. We think there ought to be some way to establish a greater national health program. I am sure there are a lot of studies being made, but let's face it; it is pretty hard for anyone now to get into a hospital. I had the privilege, if you want to call it that—I was rather disturbed—of attending a seminar in Dallas, Tex., the early part of this year and the theme was lowering the cost of medical care. Well, when we got there we had noted doctors and the noted hospital managers there from Houston, and from California, and from everywhere else. Right off they told us:

Now, look, now we must go to \$50 a day room service in a hospital. We must now go into, well, these memory machines and put all of that in our hospitals and then if the nurse doesn't give the rest pill when she should this button will punch the nurse.

But instead of talking about how to reduce the cost, gentleman, all they did that morning was increase the cost about 25 percent, and I told them in no uncertain terms:

For our people in rural areas today, gentlemen, it is not a question of whether we get medical attention from professional doctors; it is a question of whether we even get medical attention from technicians.

Now, that is our big problem.

Well, of course, like I say, if you want to get recommendations get them from someone that doesn't know a whole lot about it. I have spent my life working with rural people growing up on the farm in Arkansas so at least I know this: I know it is wrong when people need medical service and are unable to get it. I remember back several years ago a neighbor of ours, Mr. Chairman—and I am bringing this out because it certainly would be my recommendation that we consider or think about it—had a little cancer on the back of his ear and he went down to Shreveport, La., to their hospital because he could be admitted and treated in that hospital for his illness. Why can't we as a great country have a hospital or two like that in every State, that when you need medical attention you can go in and sign one paper that, "I am unable to pay" and receive medical treatment?

What is wrong with our American people? Well, I know you have a hard job and I know that some of the things that we have suggested this morning you won't be able to do as you consider the budget and this and that, but we would hope you would take a new look on how we are going to spend our national appropriation. Let's spend some of it with our older people and with our needy people for medical attention, for job opportunities for them, out in our rural area.

May I thank you very much for this opportunity to appear on the program.

The CHAIRMAN. We appreciate very much, Mr. Johnson, you and Mr. Rohde bringing to us your testimony and the views of the National Farmers Union.

Did you, prior to the time I came into the room, Mr. Johnson, go into the statistical findings of our mobile health operation?

Mr. JOHNSON. Not other than from the standpoint, Mr. Chairman, that of all the people we examined in the last check it was over 5,000 and that our referral was 72 percent and over.

The CHAIRMAN. That is what I wanted you to bring out.

Mr. JOHNSON. As you know, Dr. William Bunch is our medical doctor, who is a retired doctor from the Public Health Service, and we have been very fortunate. We would love to see, if we may, that type of program increased because we think if we get to them in time we are able to save, well, even their lives and I hesitated to tell this—I would rather for Dr. Bunch—but in two or three cases one of the persons that was examined was rushed to the doctor and in some case to the hospital on account of a heart condition or on account of high blood pressure.

Now, our people in rural areas, of course, are like other folks. It is unhandy to get to a doctor and in most cases they don't have enough money to get to a doctor, and in most cases the doctors are worked to death, so we are not mad at the doctors. There are just not enough to go around. We realize that we must go back, Mr. Chairman, to our technicians for a lot of our diagnoses and for a lot of our examinations, and we will base our faith on that, on the fact that in our armed services the boys out there in the field that are saving lives, you know, are medics, and we would love to have some in our rural areas, not to take over the doctor's duties, but to make preliminary examinations and then contact the doctor for the remedy to it.

The CHAIRMAN. Any questions of these witnesses?

Mr. ULLMAN. Mr. Chairman?

The CHAIRMAN. Mr. Ullman.

Mr. ULLMAN. I want to commend you and the organization that you represent for your wide activity in the very important fields of social security, poverty, and welfare. I can think particularly of personal experiences with your green thumb program in Oregon which, in my judgment, is one of the most effective programs that we could ever have.

Mr. ROHDE. Thank you very much, Mr. Chairman. In behalf of the directors of the National Farmers Union, we appreciate the opportunity to appear before this distinguished committee.

The CHAIRMAN. Mr. Vanik?

Mr. VANIK. I would like to inquire—in your statement you deal with the increase in minimum benefits—have you taken any position



on the increase across-the-board of all other benefits? The administration has recommended a 10-percent increase. Many of us favor a 15-percent increase, and there are other proposals to provide for higher increases at this time. Has your organization taken any position on the amount of social security increase that you recommend?

Mr. ROHDE. Mr. Chairman, we have not reached a point where we have put a percentage figure or a dollar figure. We prefer to leave this to the wisdom of the committee. I can give you my own personal viewpoint. I would like to see social security benefits increased up to \$100 a month or up to 15 percent. Corresponding increases would relate themselves to welfare programs and medicare programs. I just don't know what they ought to be, but I would like to support my colleague, Mr. Johnson, in that the kind of services that people need ought to be provided out there in the rural areas and whatever that is that is what it ought to be.

Mr. VANIK. Thank you.

The CHAIRMAN. Mr. Johnson, just one more word. I appreciate very much your bringing to the committee, as well as Mr. Rohde, the point that you have stressed here and made so eminently clear that poverty is not confined to the urban areas. It does exist in great percentage in rural areas as well.

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. You found it yourself as I have not only in my own district but throughout the country.

Thank you, again, for coming to the committee.

Mr. ROHDE. Thank you.

The CHAIRMAN. The Chair observes that our colleague from Ohio, Mr. Whalen, is here.

Didn't I see Mr. Whalen come in?

We are glad to have you with us this morning, Mr. Whalen, and you are recognized, sir.

#### **STATEMENT OF HON. CHARLES W. WHALEN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO**

Mr. WHALEN. Thank you, Mr. Chairman.

Mr. Chairman, I am most grateful to you for this opportunity to appear before your distinguished committee in support of H.R. 13476, the National Living Income Program Act of 1969.

Because of the limited time available, I have brought with me for your consideration a summary and detailed outline of the act, as well as a table comparing the NLIP to the President's family assistance program.

I hope you will have an opportunity to review this material at length later.

The CHAIRMAN. Without objection, it will be included in the record at the conclusion of your statement.

Mr. WHALEN. Thank you.

Mr. Chairman, I do not wish to be redundant by pointing out in detail the glaring weaknesses of the present approach to poverty in this Nation. Obviously, they are not only known by you but they are of deep concern as well, as evidenced by your undertaking these exhaustive hearings to review our welfare program.



I would like, however, to mention briefly what I consider to be the five major deficiencies of the present programs before offering the alternative proposed by Congressmen John Conyers, Jonathan Bingham, and myself.

First, the present approach restricts the individual's freedom of choice, thus providing the poor with the wrong incentives. For instance, when a person on welfare tries to improve his situation by accepting a part-time or seasonal job, his benefits are reduced by an amount corresponding to the pay he receives. This, in effect, is a 100-percent marginal tax rate. Thus, the welfare recipient gains nothing by trying to work.

Second, the present approach to poverty is limited in its coverage. Prof. James Tobin, who was on the Council of Economic Advisors when the war on poverty was devised, described the "bewildering variety of welfare and social insurance programs." He stated flatly: "... half of the poor benefit from none of these; and most of the public money spent to supplement personal incomes goes to families above the poverty line."

Third, structural approaches take longer to eliminate the causes of poverty. Thus, the full benefit of project headstart, for example, will not be reaped until the children enrolled in 1965 finish high school in 1987.

As concluded by Michael D. Reagan, professor of political science, University of California (Riverside): "It is now evident that our greatest immediate need is a way to provide additional income quickly, both as a goal in itself and as a way of enabling the families of the poor to provide an atmosphere conducive to the effectiveness of the programs aimed at helping their children."

A fourth difficulty with our current governmental approach to the problems of poverty is its uneven applicability in different regions of the country. In this connection, two basic weaknesses are evident: the present system relies on the depressed and underdeveloped areas of the country to support our rural poor; even when State efforts are largely financed through Federal funds, wide differences exist throughout the 50 States.

Fifth, an administrative response to poverty tends to perpetuate programs beyond an appropriate terminal date. Throughout the United States there are many well-intentioned antipoverty officials whose salaries exceed those of local mayors and appointed city and State administrators. Their pay, in most instances, is greater than that received when employed in the private sector of the economy.

No one wants to lose the best job he ever had. Consequently, it is hard to conceive that this bureaucracy would disband automatically if, for instance, all households attained a \$3,000 annual income level. In view of this, might it not be safer, faster, and even less costly to establish a system which would bypass this bureaucracy and assist the poor directly?

For these reasons and many others, I believe it is imperative that we in this Congress find and implement a new approach to the problem of poverty. It is particularly significant that the President has offered as one of his first major legislative programs an imaginative approach to the welfare dilemma—the family assistance program. I applaud him for his courage in stepping into the forefront of those advocating welfare reform.

While the approach I advocate differs from the President's on several key points, the basic principles of the family assistance program and the National Living Income Program Act are virtually identical. The NLIP, like the administration plan, contains built-in incentives for work and also, like the President's proposal, provides for supplemental allowances, where needed, to an employed head of a family.

However, there are major differences. First, the basic family allowance proposed for a family of four is \$3,200, or twice the President's figure of \$1,600 annually. This minimum allowance takes into consideration the realities of what it costs to live today and therefore is substantially more generous than the President's proposal.

Second, it provides for regional cost-of-living differentials, which, the administration's plan does not.

Third, the NLIP provides that the Federal Government match, on a 50-50 basis, supplementary allowances which individual States may decide to institute.

Fourth, the President's plan appears to be limited to families with children; the NLIP covers individuals, childless couples, and couples with grown children.

Fifth, H.R. 13476 attempts to cope in detail with some of the very difficult interpretative questions which will arise. In addition, it specifies extensive procedural safeguards. The administration's proposal leaves many of these questions to be answered by regulations determined by the Secretary of Health, Education, and Welfare.

Because of the differences in the basic rate, the NLIP departs radically in cost from the family assistance program. Roughly, the cost of the President's plan is \$4 billion. The estimate for the NLIP is \$20 billion. Certainly, under present budgetary circumstances, this figure may not be possible, but it is realistic in defining the scope of the problem and the investment which will have to be made in order to eliminate poverty in this country.

The primary purpose for which my colleagues and I introduced the National Living Income Program Act was not only to offer a comprehensive alternative to present welfare programs but also to provide a means which would encourage stable family structures, to protect the rights and dignity of the recipients, and to do all this without impossible burdens on administration.

Unquestionably, a totally new approach is required to accomplish this goal. We hope that the family assistance program and the National Living Income Program Act might serve as the basis—the beginning point—of exhaustive congressional discussions of what can be done to come to grips with the greivous blight of poverty.

The CHAIRMAN. Thank you, Mr. Whalen, for bringing your views to the committee.

(The summary and detailed outline of the Act follow:)

#### SUMMARY NATIONAL LIVING INCOME PROGRAM ACT OF 1969

The National Living Income Program Act of 1969 is designed not only to eliminate poverty and provide incentives for work, but also to encourage stable family structures, to protect the rights and dignity of the recipients, and to do all this without impossible burdens on administration. These goals are difficult to achieve, but this proposal, outlined originally by Professor James Tobin of Yale and worked out in detail by the *Yale Law Journal*, comes closer than any other to satisfying the numerous requirements of a comprehensive and decent family assistance program.



## HOW THE PROPOSED NATIONAL LIVING INCOME PROGRAM WOULD OPERATE

A family (a single man or single woman is considered a "family") may receive an "income supplement." The family may choose either to have its supplement paid in semimonthly installments or in a lump sum at the end of the year. If the family decides to have the Treasury pay benefits twice a month, it must file an affidavit estimating its income for the calendar year, based on its income from the previous year. Benefits are then paid on the basis of these affidavits. Except in special cases, only a specified random percentage of these affidavits may be investigated by the government. Benefits may not be discontinued without granting a hearing to the recipient prior to the date of cutoff.

The amount which the government will pay to a family is equal to the family's basic income supplement, reduced by one-half of any income which the family has received. The definition of income is very comprehensive, including, for example, a fixed percentage of the value of a recipient's capital assets and imputed rent on his house as well as almost all income taxed under the positive tax system. If a family has no income, it will be entitled to the entire basic income supplement, which approximates the Social Security Administration poverty line for the particular family size and varies only according to the cost-of-living in the area in which the family resides.

The following schedule shows the sliding scale of benefits provided by the Act on the basis of the Social Security Administration's figures:

Number in family:	<i>Income supplement</i>
1. (adult) -----	\$1,200
2. (1 adult, 1 child) -----	1,600
3. (2 adults) -----	2,000
4. (2 adults, 1 child) -----	2,600
5. (2 adults, 2 children) -----	3,200
Each additional child -----	600

These figures are for the nation as a whole. Income supplements in New York City would be higher, while those for rural Mississippi or South Carolina would be lower.

The Act contains many provisions to protect the rights and dignity of recipients. All payments are to be made in cash and there are no restrictions on how the family may spend money and no circumstances under which it can lose its entitlement. Finally, the Act provides generous administrative and judicial remedies for aggrieved members of recipient families.

The National Living Income Program is to be federally funded and federally administered. The administration of the program would be vested in a newly-created agency within the Treasury Department, the Bureau of Income Maintenance, and it would be funded directly from the federal treasury. The Program would thus free substantial state funds for other state and local projects. The personnel involved in welfare administration would be allowed to concentrate on providing counselling and advisory services, together with administering whatever emergency financial assistance was still needed.

An example of a hypothetical family of four will show how these elements fit together. The income supplement for this family is \$3,200 a year. If the family has no earnings or other available income for the year, it will receive the full income supplement, which is set at the poverty level. Thus, even the poorest families get enough money so that they need not live in poverty. If, however, a member of the family takes a job and earns \$3,000 a year, so that the family's available income climbs from zero to \$3,000, its supplement will drop from \$3,200 to \$1,700 (the supplement is reduced by half of available income). The family's final income for the year—including the supplement paid by the government—is thus equal to \$3,000 (earned) plus \$1,700 (supplement) or a total of \$4,700. There are two points to note here. First, the National Living Income Program preserves a substantial financial incentive for continued employment and advancement. As family available income climbs from zero to \$3,000, the supplement is not reduced dollar-for-dollar, but only fifty cents on each dollar earned. In effect, the family is allowed to keep half of what it makes. Second, most families will have an income far in excess of its income supplement. These well-to-do families would, therefore, lose money under the program and so would not elect to participate.



## COMPARISON OF NATIONAL LIVING INCOME PROGRAM TO PRESIDENT NIXON'S FAMILY ASSISTANCE PROGRAM

Col. 1, earnings	Family assistance program		National living income program		Difference— In benefits (cols. 4-2); in income (cols. 5-3)
	Col. 2, new benefit	Col. 3, total income	Col. 4, net income supplement transfer	Col. 5, total income	
0.....	\$1,600	\$1,600	\$3,200	\$3,200	\$1,600
\$500.....	1,600	2,100	2,950	3,450	1,350
\$1,000.....	1,460	2,460	2,700	3,700	1,240
\$1,500.....	1,210	2,710	2,450	3,950	1,240
\$2,000.....	960	2,960	2,200	4,200	1,240
\$2,500.....	710	3,210	1,960	4,450	1,240
\$3,000.....	460	3,460	1,700	4,700	1,240
\$3,500.....	210	3,710	1,450	4,950	1,240
\$4,000.....	0	4,000	1,200	5,200	1,200
\$5,000.....	0	5,000	700	5,700	700
\$6,000.....	0	6,000	200	6,200	200

## OUTLINE OF NATIONAL INCOME PROGRAM ACT OF 1969

Section 1.—Title : National Living Income Program Act of 1969.

Section 2.—Declaration of Intent.

(a) Findings :

1. Congress declares that general welfare and security of nation, and the health and happiness of its people, require that all families have adequate incomes.
2. Congress finds present welfare programs cannot assure all Americans freedom from want and that legislation is needed which provides everyone a decent standard of living while preserving individual liberties.

(b) Objectives and policy of this Act :

1. To entitle all families to an income supplement.
2. To recognize and protect the personal dignity and legal rights of recipients.
3. To leave recipients free to dispose of benefits as they deem proper.
4. To encourage the productive employment of recipients by allowing them to retain a substantial portion of earned and other income.

Section 3.—Election of Income Supplement.

(a) Time and manner of election :

1. By filing a return at the end of the supplement period as provided in section 8(a) of this Act.
2. By filing a request for semimonthly payments at any time during the family unit's supplemental period or during the two months preceding such period as provided in section 8(d) of this Act.

(b) Effective period of election—for only one supplemental period.

Section 4.—Family Unit Income Supplement.

(a) General rule—income supplement equal to unit's adjusted supplement (determined by subsection (b) less special tax imposed by section 6).

(b) Adjusted supplement :

1. Base supplement (determined under subsection (c)) multiplied by the low income consumer price index for such family unit (determined under subsection (d)) plus any state supplement provided.

(c) Base supplement :

1. Per year : \$1,200 for the first claimant ; \$800 for the second claimant ; \$600 for each dependent.
2. Short periods or dependents in family unit for less than a supplemental period—on percentage of yearly rate.

(d) Low income consumer price index :

1. The price index determined under paragraph (3) for the 12-month period ending on September 30 of the calendar year preceding the calendar year in which the supplement period begins, and for the area in which the family unit resides.
2. 15 days residency.

3. Bureau of Labor Statistics shall compile and price annual family budgets for all consumer goods and services necessary to a minimum adequate standard of living, including but not limited to diet, housing, transportation, house furnishings, clothing, personal care, regular medical and dental services, recreation, entertainment, education and personal communication—regional and urban/rural differences also are to be considered.

(e) Determining minimum adequate standard of living :

1. BLS within one year after enactment of Act and at least every five years thereafter, shall provide reports on annual family budgets and submit the report to Congress.

2. Ten days after report submitted, the Secretary of Labor shall cause it to be published in the Federal Register.

3. Within sixty days, the Secretary of the Treasury shall transmit to Congress recommendations for amending income supplements to reflect the findings of the BLS.

Section 5.—Optional State Supplementation.

(a) State election of increased income supplements:

1. Additional income supplements, amount determined by state legislatures, must be provided for *all* family units within the state. Supplement must be increased by the same proportion for all.

(b) Residency — 15 days.

(c) State sharing of additional costs:

1. State shall pay each year one-half the cost of such increase into the federal treasury at time and in manner designated by the Secretary.

(d) Period of election — 60 days after Secretary receives notice of election or on later date as specified in notice, until the state revokes, terminates or modifies it.

(e) Other sections applicable:

1. Program shall operate in electing States exactly as it operates in nonelecting States.

Section 6.—Special Tax — Fifty Percent.

Section 7.—Supplement period.

(a) General rule:

1. Family unit's supplement period is taxable year of the claimant or claimants under the provisions of section 441 (b) of the Internal Revenue Code.

2. If claimants have differing taxable years either may be used unless Secretary requires otherwise.

Section 8.—Annual and semimonthly payments.

(a) and (b) General:

1. Unit shall file a return at the local or district office of the Bureau of Income Maintenance, whether by mail or in person, on or before the 15th day of the fourth month following the close of the supplemental period for which the return is made.

2. Within 30 days Secretary shall provide payment of income supplement due.

(c) through (k) Semimonthly payments:

1. Election of such a payment is a matter of right.

2. Election may take place at any time; it must be in writing signed by all claimants in the family unit; it must be filed at local office of Bureau of Income Maintenance by mail or in person.

3. Election shall be approved and implemented by the Secretary within seven days of the date of filing unless claimants request later date.

4. Payments made on first and fifteenth of each month — each payment 1/24.

5. Changes in family unit must be told to Secretary within 30 days; such notice will terminate semimonthly payments; unit may file new election for semimonthly payments.

6. Termination of semimonthly payments—

(a) by request of family unit;

(b) by the Secretary, if he finds election is improper on its face, but hearing must be held and findings reviewed by appeals board; before termination;

(c) unit is liable for payments to which it was not entitled.

7. Family unit must submit estimate of income upon election and within 30 days of end of each succeeding quarter and must indicate whether income may increase or decrease by ten percent or more; Secretary shall include the increase or decrease in the declared amount.

8. Secretary withholds from each semimonthly payment a tax equal to 1/12 of the estimated quarterly available income.

9. Underpayments may be deducted from future semimonthly payments but not in excess of ten percent of such payment.

Section 9.—Family unit defined.

(a) General: Unit consists of at least one claimant, and not more than two claimants, plus any dependents to which claimant or claimants, individually or jointly, are entitled (if dependent is 16 or older, he must agree in writing to be claimed as a dependent).

(b) Claimants:

1. U.S. citizen or resident aliens, 21 or older.
2. Any person 19 or 20 who maintains a domicile separate from his parents or guardian and does not receive more than half his support from them, and is not a student within the meaning of IR Code, Section 151(e) (4).
3. Any married person under 21 provided he and spouse maintain a common domicile.

(c) Dependent (U.S. citizen or resident alien) :

1. Son or daughter or any person for whom claimant is legal guardian provided (1) claimant provides significant portion of support, (2) dependent lives with claimant, (3) or dependent is student.

2. Claimant must substantiate evidence of dependency.

(d) Required family units—those who must file as unit :

1. Husband and wife who are not informally or legally separated or divorced.
2. Man and woman, domiciled together, and common parents of at least one child.

(e) "Informal separation" :

1. If have not lived together for 30 consecutive days.
2. If separate residences are maintained.
3. One of spouses files affidavit with Secretary swearing above and stating intention to remain separated.

(f) Determination of dependency—by laws of state ; if one claimant refuses to support dependent, money for that dependent will go only to other claimant.

(g) No person can be claimed as member of more than one family unit.

Section 10.—Computation of available income of the family unit. Sum of the available incomes of all family unit members during such part of that period as they are claimed as members of the family unit.

Section 11.—Determination of available income of persons.

(a) General: Available income means adjusted gross income (section 62, IR Code).

(b) Includable in adjusted gross income :

1. All annuity, pension, or retirement benefit payments (including railroad retirement and veterans benefits).

2. Amount or value of prizes and awards.

3. Proceeds of life insurance policy in excess of amount equal to premiums paid personally by beneficiary or spouse.

4. Gifts, support, alimony, and inheritances (in excess of \$50 a year total) except gift or support payment or other transfer received from member of same unit, or from private charity, and except property inherited from deceased spouse.

5. Interest on all government obligations.

6. Amounts received in form of damages, insurance payments, workmen's compensation or in any form as (1) compensation for physical, mental, or any other personal injuries or sickness (2) wage or income continuation, or (3) medical expenses.

7. Rental value of parsonages.

8. Quarters or subsistence allowance, gratuity pay, and combat and mustering out payments to members of Armed Forces.

9. All dividends, scholarships or fellowships.

10. Amount equal to reduction in living expenses that occurs by employer supplying meals or lodging at less than their fair market value.

11. Amount of current or accumulated income that could, within the discretion of any person with a nonadverse interest, be paid to an individual from a trust or estate of which he is a designated beneficiary, except that any such amount not exceeding \$3,000 and in fact paid to some other person shall not be included.

12. All amounts deductible under section 1202 of IR Code.

13. Unemployment compensation, excluding payments made under section 407 of the Social Security Act (Title 4).

14. Strike benefits.

15. Social Security benefits under Titles II and XVIII (excluding Titles I, IV, XIV, XVI, and XIX) and payments from government programs where financial need is essential prerequisite for award.

16. Foreign source income excludable under IR Sections 893-94, 911-12, 931, 943.

17. Loans from Commodity Credit Corporation.



18. Deductions under sections 173, 175, 180, 182, 263(c), 615, and 616 of the IR Code.

19. Imputed income and capital utilization income (sections 12 and 13 of this Act).

(c) Deductions—adjusted gross income reduced by :

1. Medical expenses within meaning of IR Code, section 213(e) except—

(a) Deduction not applicable to expenses compensated for by insurance or otherwise where such compensation has been excluded from available income ;

(b) Deduction only to extent that total medical expenses of unit exceeds \$25 for each person.

2. Alimony, separate maintenance, and support payments.

3. Gift to member of another unit if signed statement from donee.

4. Deductions under sections 162 and 212 of IR Code plus the cost, in excess of \$10 per month, of all transportation to and from work.

5. Deductions under IR Code section 214 (in applying section 214 any dependent (within the meaning of section 9 of this Act) shall be "a person with respect to whom the taxpayer is entitled to an exemption under section 151(e) (1)" for purposes of section 214 (d) (1)).

6. Deductions under section 404 IR Code.

7. Twice the amount of taxes imposed by IR Code, Subtitle A, including amounts paid pursuant to chapter 24 of IR Code, less twice amount of credits allowed against such taxes by sections 33, 35, 37, 38 IR Code, except maximum deduction allowable to unit under this section may not exceed supplement.

8. Employee contributions under Social Security and Railroad Retirement.

(d) Losses may be deducted under sections 165 and 172 of IR Code—except :

1. Deduction for losses from sales or exchanges of capital assets only to the extent of gains—no deduction for capital losses unless during time supplement received was in excess of the special tax liability.

2. Section 172 IR Code—"Net Operating Loss"—definition for purpose of this Act shall mean the excess of deductions allowed by this Act over the income obtained by the operation of Section 11(b) on adjusted gross income.

3. No carryover or carryback of net operating loss shall be allowed unless during time in which individual was receiving supplement in excess of the special tax liability.

4. No loss deducted under IR provisions during time person not a member of a unit receiving supplement in excess of special tax liability.

(e) Depreciation and depletion allowed under sections 167 and 611, IR Code, but not those under section 613.

(f) Other deductions not specifically allowed by this section are disallowed.

(g) Subchapter S Corporations—any amount attributed to the available income of a member of the unit by operation of section 1373 IR Code shall be increased by an amount proportional to the amount by which the taxable income of the electing corporation would be increased if computed under this section.

Section 12.—Imputed Income.

(a) General : available income includes :

1. An amount equal to five percent of the fair market value, at the close of the supplemental period, of the gross available capital, less the amount of any income derived from any interest included within the gross available capital to the extent that—

(a) Such income is otherwise within available income ;

(b) Such income does not exceed five percent of the value of such interest from which the income is derived.

2. Retail market value of food grown by a person or some member of unit and consumed by such person minus the costs not otherwise deducted of producing such food.

(b) "Gross available Capital" defined :

1. Gross capital, minus an exemption for clothing, furniture, automobiles, and other personal effects not used in a trade or business, the exemption not to exceed \$1,500 for a claimant or \$500 for a dependent ; provided that the unused amount of an individual's exemption may be used by any other member of the unit.

(c) "Gross capital" defined :

1. All property, real or personal, tangible or intangible, wherever situated, but excluding pensions and annuities, to the extent of any interest of the person therein. The value of any interest in any property shall be diminished by the amount of any mortgage or indebtedness in respect to such property, to the

extent that interest or other payments arising out of the mortgage or indebtedness have been deducted in the computation of a available income.

**Section 13.—Capital Utilization Income.**

(a) General: available income includes an amount equal to 30 percent of the fair market value computed at the close of the supplement period of the person's net available capital.

(b) "Net available capital" defined—gross available minus:

1. Any mortgage or indebtedness in respect to the property.
2. Any other indebtedness not otherwise deducted.
3. Difference between the current fair market value of principal residence of unit and the maximum amount for which such property commercially could be mortgaged if it were otherwise unencumbered.
4. An exemption of \$5,000 for a claimant or \$3,000 for a dependent.
5. An additional exemption, not to exceed \$5,000 for a claimant for property used in a trade or business.
6. An additional exemption of \$5,000 for claimant provided that such claimant be age 60 or over and provided that there be only one such exemption for each family unit.

**Section 14.—Basis.**

(a) General: adjusted basis for determining the gain or loss from the sale or other disposition of property as defined in Section 1011, IRS Code.

(b) Exceptions: adjusted basis of any property (other than cash) used in trade or business held for production of income, shall be increased by:

1. The amount of income attributed to the property (Section 12) and included within available income, less the amount of income includable within adjusted gross income as defined by Section 62, IRS Code.
2. The amount of any deduction with respect to property disallowed in computing available income to the extent that such deduction would result in a reduction of the adjusted basis of the property under Section 1016, IRS Code.

**Section 15.—Valuation.**

(a) General: Secretary of Treasury or his delegate shall prescribe all rules and regulations for valuation of interest under this Act:

1. When fair market value not readily ascertainable, Secretary or his delegate shall prescribe methods for approximate the value.
2. Secretary or taxpayer may establish greater or lesser value—burden of proof on person claiming differing value.
- (b) Jointly held property shall be treated as if owned in separate, proportional shares.

(c) Interests subject to a contingency or condition, which may not otherwise be valued, shall be valued as if contingency did not exist unless:

1. It is real and substantial.
2. It does not depend upon a power exercisable by person who is a member of the same unit or who does not have an adverse interest.
3. Failure of interest would not result in interest passing beneficially to another member of the unit.

**Section 16.—Methods of Accounting.**

(a) General:

1. As in computing income tax liability.
2. If methods of two claimants differ, claimant's method whose taxable year is used as basis for unit's supplement period.
3. If no method, Secretary or his delegate may choose one which clearly reflects income.

(b) Special rule: Where an income or deduction may not be properly attributed to a specific period of time, such item of income or deduction shall be deemed to accrue ratably during the calendar year.

(c) Secretary or his delegate may apportion items (income, deductions or credits) among individuals if he determines such apportionment is necessary in order to prevent evasion of taxes or clearly to reflect the income of such individuals for accounting purposes.

**Section 17.—Assignment and Taxation Prohibited.**

(a) Supplement payments shall not be assignable or taxable.

(b) Supplement payments are exempt from claim of creditors and from attachment or levy or from seizure by or under any legal or equitable process before receipt by beneficiary—except claims of the U.S.

**Section 18.—Records and Returns.** Every claimant in unit shall keep records, render statements and make such returns as required by this Act. Disclosure provisions subject to review provisions of section 19 of this Act.



### Section 19.—Procedural Rights and Review.

(a) Secretary shall make all rules and regulations which will be reviewable in federal court of competent jurisdiction—hearings as prescribed by Chapter II of the U.S. Code except as modified by this section.

#### (b) Recipient organization:

1. If have more than 50 people in membership receiving benefits under the Act, entitled to receive proposed rules and regulations from the Secretary when they are published in the Federal Register.

2. Have standing to participate in public hearings on rules and regulations and to challenge any proposals in federal court.

(c) Bureau shall publicize benefits of Act and apprise persons or rights to benefits and due process.

#### (d) "Due process" hearing:

1. Upon request in writing, opportunity for hearing before examiner to be afforded by Secretary or his delegate with respect to denying, withholding or modifying supplement.

2. Shall take place prior to effective date of denial, withholding or modification, unless all individuals agree in writing for later date.

3. Open to public unless aggrieved individual requests in writing a closed one.

4. All aggrieved individuals shall be entitled to representation by counsel, to present evidence in own behalf, to know evidence against them and to challenge reasonableness of rules, regulations, and practices adopted pursuant to this act and as applied to his case.

5. Upon conclusion of hearing, Secretary or delegate shall make findings of fact and issue written decision.

#### (e) Right of administrative appeal:

1. Board of Appeals—established by Secretary to review findings, rulings, and decisions of trial examiner and publish its decisions and state reasons therefor.

2. Secretary bound by ruling unless judicial review sought.

3. Decision effective when rendered.

#### (f) Judicial review:

1. Decisions of Secretary or delegate reviewable in U.S. district court regardless of amount involved in controversy.

#### (g) Paid expenses:

1. Reasonable expenses in hearing or judicial review.

2. District court may disallow any or all expenses if it finds a party or his attorney acted frivolously or in bad faith.

#### (h) Complaint review board:

1. To review any complaint that a Bureau employee is not performing his functions properly or is not following properly issued regulations.

2. Board shall report findings in writing to person or organization making the complaint within 60 days.

3. If employee found guilty of willful or grossly negligent disregard of rights of any person under this Act and regulations issued pursuant to it, Secretary or delegate shall conduct a hearing on the charge.

4. If hearing sustains findings of Board, Secretary shall take disciplinary action, not excluding discharge or suspension without pay, as he deems proper and as authorized by Civil Service laws.

(i) All records of Bureau confidential except claimant shall have access to his own file by submitting written request (IRS may have access to records).

#### (j) Investigations:

(1) Secretary or delegate may not conduct investigations with respect to more than five percent, randomly selected, of all units.

2. Except—Secretary or delegate may investigate whenever probable cause exists to believe a unit is not entitled to receive benefits and except limitations shall not apply to routine investigations undertaken in conjunction with hearings.

### Section 20.—Application of Income Supplement Laws.

(a) Powers and duties of Secretary: the administration and enforcement of Act.

#### (b) Bureau of Income Maintenance:

1. Within Department of the Treasury.

2. Commissioner, head of Bureau, to be appointed by President, by and with consent of Senate; services at pleasure of President.

(c) Appointment—by Secretary or delegate—or personnel. Secretary or delegate shall issue all necessary directions and rules applicable to such persons.



(d) Regulations—all necessary for administration and enforcement of Act—to be issued by Secretary or delegate.

Section 21.—Definitions.

1. "Secretary"—Secretary of the Treasury.

2. "Secretary or his delegate"—as under definition contained in IRS Code, section 7701(a) (12) (A).

Section 22.—Amendments.

1. Exemption of income supplement section 123 IRS Code.

2. Income averaging, section 1303 IRS Code "individual not eligible if at any time during the year or base period, he was claimant under the "National Living Income Act of 1969".

Section 23.—Effective Date: Benefits may be paid under this Act with respect to supplemental periods beginning on or after the first day of the first calendar year which begins more than 180 days after the date of enactment of this Act.

Mr. BURKE. Mr. Chairman.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. I wish to commend Congressman Whalen for his excellent statement here and for all the material he has furnished accompanying his statement, and his bipartisan approach to this very vexing problem.

There is no doubt that you have gone into this subject matter in great depth, have given a great deal of time and study to it. No doubt your contribution will help the committee in its deliberations.

Mr. WHALEN. Thank you, Mr. Burke.

Mr. BETTS. I want to comment. I don't think the record shows my colleague from Ohio is a distinguished professor of economics. I am sure that will give added weight to his statement this morning.

Mr. WHALEN. Thank you very much, Mr. Betts.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. Like most of the others on the committee, I have only had an opportunity to glance briefly at Mr. Whalen's work here. I want to commend the gentleman for the scholarly and very realistic work he has done.

I want to ask some questions and preface the questions with observations I made the other day when the Secretary of HEW was here. I found, and I am not trying to be critical of him as an individual, because it has happened in the past—it certainly happened with the experiences I have had with HEW in the past—that they cannot decide who is going to run one of these programs and they cannot decide who is going to do the tough work. Presidents apparently in the past have not been willing to make the decision and knock the heads at the Cabinet level to get the job done.

Consequently, the ball continues to be dropped between HEW and Labor, as to how you move people from poverty into work. Consequently, we have a great deal of frustration. I am not partisan, I am trying to be realistic about what happens.

Under your program, who would administer the program at the national level?

Mr. WHALEN. This would be administered by the Treasury Department. There would be a new bureau established within the Treasury Department.

Under the system that we propose, and I might note parenthetically that this does not get into the question of job training, the recipient would have the opportunity of receiving payments either twice a month or one annual payment. If he receives it twice a month, he

would have to submit an affidavit indicating what his income is expected to be, based on the income of the previous year.

Then, of course, there would be an adjustment made at the end of the period.

Mr. GIBBONS. How does your program move people from the world of poverty to the world of work and affluence? How do you envision this happening?

Mr. WHALEN. First, I think this bill recognizes that a rather large percentage of those on welfare are incapable of working. For example, in Montgomery County, Ohio, my district, a survey was recently made and it was discovered that about 95 percent of those receiving welfare benefits would not be able to work. These would be the handicapped, children, the mothers of young children, and so forth.

So we have not in this particular bill gotten into the training area. We recognize it is important, but rather have concentrated on the so-called income maintenance approach.

Mr. GIBBONS. I notice in the administration bill—and here again I am not trying to be partisan, but we talk about 25 million people living in poverty, and really when we get down to the nuts and bolts of the administration bill—there are only 1.1 million who are ever going to register for training and for additional benefits.

I have yet to figure out how we are going to help the other 23.9 million who are in poverty, except rather indirectly, by the program that we are talking about here.

Is that a realistic appraisal?

Mr. WHALEN. I cannot speak authoritatively concerning the aspects of the administration bill which go into job training.

As I suggested, our bill, which I outlined for you this morning, goes only to the income maintenance approach, a national living income program. We do not get into job training, although the three authors of this bill recognize that certainly this in itself is a very worthwhile approach to the problem of poverty.

Mr. GIBBONS. How would your program be administered on a local level or State level?

Mr. WHALEN. This would be a direct payment, Mr. Gibbons, to the recipient. This would be handled and administered by the Treasury Department.

Mr. GIBBONS. Your program would abolish the aid to dependent children program, the aid to families with dependent children, and aid to the blind and disabled, and all the others we have.

Mr. WHALEN. Many programs undoubtedly would be abolished. This, I think, Mr. Gibbons, Mr. Chairman, and members of the committee, is the real problem which confronts you if you, indeed, consider this kind of program, or a program similar to the President's, very seriously this session.

I think one of the key jobs confronting you is to determine how to define "income." Certainly, I think it is appropriate that other forms of income be considered when applying an income maintenance type of program such as the President or my colleagues and I suggest in this bill that is before you.

Therefore, it would seem to me that you either abolish by law these other programs in lieu of this substitute, or take into consideration the benefits which are received.



Mr. GIBBONS. I don't understand exactly what you mean. What are you talking about?

Mr. WHALEN. I don't think that we would accept the proposition that a family would be entitled to those benefits, they now are receiving under existing welfare programs and the full benefits of the national living income program as well. In other words, the costs of that would be astronomical.

Therefore, how do you approach this question of existing programs? As I see it, there are two approaches.

One, they can be abolished, taken off our statute books; or two, they can be allowed to continue with the understanding that the income derived from these programs would be defined as "income" and would therefore be applied against the benefits to which recipients would be entitled under income maintenance programs.

Mr. GIBBONS. I assume your program has—I hate to call it a "needs test," but I don't know a better word for it. How would you describe it?

Mr. WHALEN. The "needs test" would be very simple, strictly the income that a family receives.

Mr. GIBBONS. You are talking about the cash income?

Mr. WHALEN. That is right.

Mr. GIBBONS. From all sources?

Mr. WHALEN. You see, then we get into a definition of "income" and we get into such complexities as imputed income and so on. For example, if a family owns a house, that is taken into consideration and treated as income.

So it is strictly an income basis, just the same as we use income as the basis to determine how much taxes you and I have to pay.

Mr. GIBBONS. You will have to have some kind of auditing.

Mr. WHALEN. Yes, this is also provided for. The affidavits will be audited, but again, on the same basis or the same ratio as the audits of the returns that taxpayers make.

In other words, we are not providing for a 100-percent audit but a random audit.

Mr. GIBBONS. Under your program there would be no encouragement for anybody to seek work or training, am I right?

Mr. WHALEN. Oh, yes; this is part of the program. Under our program the recipient would be entitled to keep half of what he earns. Let me give you an example. I did not want to take the time in my formal presentation to explain this.

The minimum income supplement for a family of four is \$3,200. This is twice as much as the President's proposal.

Then, for every dollar earned, half of this is deducted from the \$3,200 income supplement. Therefore, if a family has absolutely no income, they are entitled to \$3,200.

Let us say a family earns \$3,000 a year. Half of this, or \$1,500, then would be deducted from the \$3,200. A \$1,700 income supplement then would be granted to the family, plus the \$3,000 that they earned, which would be a net income of \$4,700.

So there would be a work incentive. I think this is the key not only to our program but to the President's, as well.

I explained under present welfare programs when a person goes out and earns additional money, the Welfare Department says, "Well,



now, let us see. You earned \$10. Your needs are \$10 less. Therefore, we will reduce your welfare check by \$10." It is, in effect, a 100-percent tax.

Mr. GIBBONS. I appreciate the time that you have taken. I commend you for your serious work.

Mr. WHALEN. Thank you.

The CHAIRMAN. Are there other questions?

Again we thank you.

Mr. WHALEN. Thank you, Mr. Chairman.

The CHAIRMAN. The Chair will hear from our colleague from New York, Hon. Richard McCarthy. Will Mr. McCarthy please come forward?

### STATEMENT OF HON. RICHARD D. McCARTHY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. McCARTHY. Thank you very much, Mr. Chairman.

I have copies of my statement available. If I may proceed?

The CHAIRMAN. You may.

Mr. McCARTHY. I certainly want to thank you for the opportunity to appear.

If we were to judge the importance of the issues before the Congress solely on the basis of the quantity of letters received from constituents, we would sometimes have to conclude that there is no more compelling issue in this country today than the amount of social security benefits. I am sure that my colleagues' mailboxes reflect the same situation, for there are articulate senior citizens throughout the country; I might say, including my own parents. This is not a regional issue, nor an urban versus rural issue. Furthermore, there has been general agreement that social security benefits should be increased from time to time. The issue is a perennial one, for prices keep going up and people on fixed incomes find it increasingly difficult to maintain a decent level of existence.

#### 15-PERCENT BENEFIT INCREASE

In 1967, we passed several amendments to the Social Security Act, including a substantial increase in benefits. But from February 1968, when that increase went into effect, through September 1969, the cost of living increased 8.7 percent. Social security benefits were not increased at all during that period. Now the administration proposes that benefits be increased by 10 percent in April 1970. I submit that this proposed increase will not even cover the losses suffered by our senior citizens from the rising cost of living. In order to provide a meaningful increase, I believe that we must approve a 15-percent across-the-board increase effective on January 1, 1970. Any less would simply not be fair to those who depend on their social security checks to purchase the necessities of life.

It will take some time for social security legislation to pass both Houses of Congress. But even if we were to pass an increase this week, I understand that it might take as long as 4 months for the Social Security Administration to make the necessary changes. The bureaucratic process, it seems, is no speedier than the legislative process. I know that our colleague, Congressman Burke, has addressed

himself to this. Our senior citizens will continue to suffer from the increasing cost of living for several months to come.

I believe that we must make the 15-percent increase in benefits retro-active to January 1, 1970.

#### AUTOMATIC COST-OF-LIVING INCREASE:

It has always required legislative action to increase social security benefits, and, as we all know, the legislative process is slow and somewhat cumbersome. It generally takes many months and sometimes years for a bill to make its way from the hopper to the President's desk. Just this week I received from one of my younger constituents a letter which relates to this subject. Since it is not a long letter, I would like to read it in full at this time.

DEAR SIR:

Yesterday we experienced the passing of a bill to a law. We had 45 minutes to pass the bill to a law. It started in the Senate, went to the committee, then voted on. It went to the House and died there because our period was over. Now I understand why it takes so long for a bill to become a law.

Unfortunately, the cost of living does not wait for this deliberative process. It continues to rise, eating away at the fixed incomes of our elderly and disabled citizens. I alluded to my own parents, who are living on social security—if it were not for their additional pensions from their employment over the years, they just couldn't get by.

In the future we can avoid a great deal of this suffering, if we direct that benefits be automatically increased as the cost of living rises. Increasing benefits by a certain percentage is a mechanical procedure. It does not demand intensive debate by the elected Representatives of the American people. The Consumer Price Index is computed each month and the percentage increase is not difficult to calculate. Ideally, this would be done each month. I understand that many countries make automatic adjustments in social insurance benefits, and at least one country—Sweden—does it on a monthly basis. Of course, automatic adjustment of retirement benefits is not unheard of in this country. In this country, civil service retirement benefits are automatically increased when a 3-percent increase in the Consumer Price Index is sustained over a 3-month period. I believe that this same method should be employed for the Social Security System.

Social security benefits are not, of course, paid from the general treasury. It is not necessary for the Congress to approve an appropriation in order to pay benefits each year nor to increase them at any time. Benefits are paid from a trust fund to which employees and employers throughout the country contribute a percentage of income.

Since contributions to the fund represent a percentage of income, the amount in the fund increases as wages increase.

Increases in the cost of living usually entail increases in wages paid. Thus, the increased contributions to the fund based on increased wages should make possible increased benefits based on the cost of living. I understand that there is now a surplus in the fund and various suggestions have been made as to how to control that surplus. The administration has suggested a slight deceleration in the tax rate scheduled for the trust fund. I believe that there is, and will continue to be, enough money in the fund to pay the increased benefits which I propose.



None of the proposals for automatic cost-of-living increases provide for decreased benefits if the Consumer Price Index should go down. The way prices have been going up during the past few years, it is hard to imagine that they would decline substantially. It is possible, however, and if we were to suffer a recession or depression, it might become difficult to continue paying social security benefits at the same level. I believe that some provision should be included in the law to take care of this possibility.

#### MINIMUM BENEFITS

The minimum primary benefit is presently \$55 a month. Mr. Chairman, I don't know how anyone in this country—no matter where he lives—can survive on \$55 a month. It is certainly next to impossible in my district. The social security program was established to make possible a life of dignity and economic independence for our senior citizens. I do not see how dignity and economic independence can be achieved on \$55 a month, and I propose that the minimum primary benefit be increased to \$100 a month.

We are often told that older people don't need as much. This is simply not true. The reason they seem to need less is that they do not have the money to buy as much as many other people do. While it is true that older people do not usually have young children to support and they often have been able to pay off the mortgage on their home, they still have to eat and take care of other basic necessities. I have received many letters from social security recipients in my district in which they outline their necessary monthly expenses and contrast them with the amount of their monthly social security check. The expenses inevitably exceed the income.

Medical expenses are often very high for the elderly. Medicare helps, but there are still many expenses not covered by medicare, including prescription drugs. And there is always a "deductible" not covered by the program. We must be realistic. There was a time when a person might have been able to live on \$55 a month, but this is no longer true.

#### INCOME LIMITATION

Many people in this country who retire from their regular full-time job and begin receiving social security benefits find that they are still able to work part time to supplement those benefits. Some are motivated by a desire to have a little more money to live on; others are simply bored by sitting around all day long. But, under the current law, these people are stymied by a restriction that permits them to earn only \$1,680 a year without losing some or all of their benefits.

Again, I have personal experience from this. My father is a lawyer. He is 68 years old and in perfect health, and he could and would like to work, but he simply can't because of the present limitations which would drive him over the limit. The administration proposes to increase this income limitation to \$1,800—a negligible difference. I believe that we should increase the income limitation to a more reasonable \$3,000 a year.

When the Social Security System was established, this country had a serious unemployment problem. It was logical to try to remove some of our elderly people from the job market to open up jobs for younger



people with families to support. This situation no longer exists. We are no longer in the midst of a serious depression. Although we still have some unemployment in this country, there are many jobs which go begging. And often the jobs which remain unfilled are those which the elderly are most willing and able to accept.

The income limitation also applies to many people who receive survivor benefits. Relatively young widows who still have children to support find it next to impossible to live on these survivor benefits. But they, too, are not allowed to make any more than \$1,680 without losing part or all of their benefits. These women usually cannot obtain a high-paying job. They often lack the education or experience needed for a professional position, and they sometimes cannot take a full-time position because they must be at home to take care of their children in the early morning and late afternoon. Nevertheless, they are usually able to find a position which pays more than \$1,680 a year. I believe that we should make it possible for them to supplement their social security benefits by earning up to \$3,000 a year.

Some people have suggested that we eliminate the retirement test altogether. They say that by contributing to the fund, everyone has earned the right to collect benefits. But I don't think that this would be wise. There is no reason to pay social security benefits to those who are still earning a substantial salary. The social security system is a type of insurance. Not everyone collects on his automobile insurance, nor on his medical insurance. There is no reason why everyone should have to collect on his income insurance. But those who do collect do have reason to expect that their benefits will be reasonable and realistic and will allow them to live the life of dignity and economic independence which is promised. And they have the right to expect that they can continue to live a normal life during their retirement years. We should not have to ask those who are paid social security benefits to close up shop completely and simply eat and sleep. If they want to work for a few days a week or a few hours a day, we should not make it difficult for them to do so.

Mr. Chairman, I realize that I have only touched the surface of needed changes in the social security system. There are many areas I have not discussed at all, on which you will hear extensive testimony in the days and weeks to come. I am aware that these hearings will of necessity take some time. But I urge you to act as quickly as possible, especially on the benefit increases, to help alleviate the plight of our senior citizens.

The CHAIRMAN. We thank you, Mr. McCarthy, for coming to the committee and giving us the benefit of your views.

Are there any questions?

Mr. BURKE. I would like to compliment Congressman McCarthy for his wonderful statement here today. As we all know, Congressman McCarthy has been in the vanguard fighting to correct the plight that the elderly find themselves in, and I wish to commend him.

Mr. McCARTHY. Thank you very much.

Mr. GILBERT. I would like to welcome my colleague to the committee and thank him for the fine contribution he has made to our hearing by his testimony.

Mr. McCARTHY. I thank my colleague from New York.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. I would also like to commend my colleague from New York and say that he has hit a tone that is very close and dear to people in my district. I would say to him that I am glad that he just concentrated his testimony on social security because it seems to me that we have a package of legislation here that is far too complex and far too far reaching to consider and to get out of the way in a hurry.

The state of our welfare laws is pretty bad, we all agree, and they should be changed, and this should not be delayed. But it would be criminal in my opinion to delay increasing the social security benefits until we get something done about welfare.

Of all the people who can afford least of all to suffer the problems that come from welfare, it is the old people. To tie the two together in my opinion is a very poor way of the Congress proceeding.

Mr. McCARTHY. I am happy to hear the gentleman say that. I feel the same way. I believe we need a complete, thorough reform of welfare. That is going to take time.

I think this is urgent. I cited the figures of almost 10-percent increase in the cost of living since the last time we raised social security. I know from first-hand experience the tremendous hardship that this has imposed on our senior citizens.

I hope you can act. I think this committee really is a great committee. The word that I have received from home about the tax reform bill that you brought to the House and which we passed, has made you heroes in the country, certainly in the Buffalo area where this is a very important issue.

I think that you could add to your laurels by moving expeditiously on this and you would be forever sacred if you were to surrender perhaps a little of the prerogatives of this committee but for a greater good, and provide for the automatic cost-of-living increases as they do in Sweden and other countries.

The CHAIRMAN. Are there any further questions of Mr. McCarthy? If not, we thank you again.

Mr. McCARTHY. Thank you very much, Mr. Chairman and members of the committee.

The CHAIRMAN. Mrs. Gereau and Mr. Lillywhite, we are pleased to have you with us today. We would like you to identify yourselves and then the man accompanying you.

**STATEMENT OF JOHN M. LUMLEY, ASSISTANT EXECUTIVE SECRETARY FOR LEGISLATION AND FEDERAL RELATIONS OF THE NATIONAL EDUCATION ASSOCIATION (PRESENTED BY MARY CONDON GEREAU, LEGISLATIVE CONSULTANT), AND RAY L. LILLYWHITE, LEGISLATIVE COMMITTEE, NATIONAL COUNCIL ON TEACHER RETIREMENT**

Mrs. GEREAU. Thank you, Mr. Chairman. It is a pleasure to see you looking so well again.

The statement before you gentlemen is filed in the name of John Lumley. I obviously am not John Lumley. He sends his apologies that he cannot be here this morning. I am a member of his staff.

My name is Mary Condon Gereau.



On behalf of our 1,020,000 members, I thank the committee for the opportunity to present the National Education Association's position on a matter pertinent to the Social Security Amendments of 1969.

You have before the committee a bill, H.R. 12473, sponsored by Congressman Corman and 24 others, as well as several identical bills with a total of 38 sponsors, which is designed, at no cost to the Federal Government, to provide an opportunity for teachers and other public employees to participate in the Federal hospital insurance program in those States where they are not now covered.

The plan is a simple one. It provides for any State which elects to do so to enter into a contract with the Secretary of HEW to extend Federal hospital insurance to the members of the public employees' retirement system.

Mr. Chairman, thousands of teachers in 14 States and Puerto Rico now face retirement without the benefit of medicare coverage. In an additional six States, some teachers are covered, others are not, depending on the policies of the local school system which employs them.

The following table lists the States and the potential number of instructional staff involved in the 1968-69 school year:

Alaska .....	3, 623
California .....	<sup>1</sup> 195, 000
Colorado .....	<sup>1</sup> 26, 000
Connecticut .....	34, 221
Florida .....	64, 100
Illinois .....	106, 963
Kentucky .....	32, 075
Louisiana .....	<sup>1</sup> 40, 600
Maine .....	11, 475
Massachusetts .....	<sup>1</sup> 54, 200
Missouri .....	47, 129
Nevada .....	5, 555
Ohio .....	105, 555
Rhode Island .....	8, 970
Puerto Rico .....	<sup>1</sup> 24, 650
<b>Total .....</b>	<b><sup>1</sup> 760, 000</b>

<sup>1</sup> Estimated.

In addition, some of the teachers in Georgia, Montana, New Mexico, North Dakota, Oklahoma, Texas, and Vermont are not covered by social security and therefore are not eligible for medicare upon retirement. In these States, the coverage varies school district by school district.

In another group of States, New York, Wisconsin, Hawaii, Pennsylvania, Minnesota, and Tennessee, there may be teachers not covered if, at the time the State elected social security coverage, individuals elected to waive coverage. This will be a comparatively small and elderly group.

The number of persons listed in this statement is not, of course, the number of persons actually involved. Those teachers who are married women and whose husbands are covered by social security would not be covered by the provisions of the contracts.

On the average in the United States as a whole, 68 percent of the women teachers are married. These persons, unless they are married to other teachers or public employees not covered by social security, would be eligible for medicare as spouses. The largest number of



potential annuitants will be those individuals who are not covered personally or indirectly by social security, through no fault of their own.

They have devoted their lives to the education of the children of this country—and now in their retirement years they face the high costs of hospitalization without the opportunity available to other retirees whose lives have been spent in more profitable but less altruistic pursuits.

H.R. 12473, which proposes to amend title XVIII of the Social Security Act, is enabling legislation. It permits the Secretary of HEW to enter into an agreement with a State, upon the request of the State. All costs involved, including hospital care payments and HEW administrative costs, will be borne by the State and/or the annuitants to be covered. Each State may make its own arrangements as to how to cover the costs.

The advantage of this type of contractual agreement is, of course, that involvement in the Federal hospital insurance program, because of its extensive number of clients, is considerably less expensive on a per capita basis than would be the case if each State attempted to operate its own medicare type of program for its teachers and public employees.

Retirees often move to another location from that in which they earned their retirement credit. The national character of the Federal hospital insurance program permits this type of mobility.

We believe the procedure proposed in H.R. 12473 is not only economically sound, but is also justified on humanitarian reasons. We urge that the committee and the Congress incorporate the provisions of H.R. 12473 into the Social Security Amendments of 1969.

In summary, we are concerned with a provision to provide an amendment to the Social Security Act that would permit States to enter into contracts with the Federal Government to provide medicare coverage for those teachers and other public employees who are not covered by social security and who, therefore, upon retirement do not have the medicare benefits available.

There are four members of the committee who have introduced this legislation or sponsored it: Mr. Burke, Mr. Utt, Mr. Corman (who is the chief sponsor), and Mr. Vanik.

In my formal statement, the States that are concerned are listed. We cannot give you an exact number of how many people are covered, because married women who are teachers, who are married to someone who is covered by social security, are covered because their husbands are covered. We do not have this kind of data.

The point I want to make is that the bill, if enacted, would not require any expenditure at all from the Federal Government. It is permissive legislation which would permit the States to enter into these kinds of contracts, the cost of which would be borne by the State.

The State would reimburse the Federal hospital insurance program for whatever expenditures were available to the annuitants in that State covered by this act if the State legislature so acts. That is the first issue.

We do want to say that the teachers of Massachusetts and California are very grateful to Mr. Burke, Mr. Utt, and Mr. Corman for their cosponsorship of this measure. We think it is in the good hands of the committee.

The other item, as I mentioned in my statement, concerns the retirement tax credit for persons who retire who are not covered by social security, and the same 14 States are concerned.

Two members of the committee have sponsored this legislation: Mr. Landrum and Mr. Broyhill. Again, the teachers of both States are grateful to them for that.

I will defer to Mr. Lillywhite, who knows more about this subject than I do, for his comments, unless you would like to ask some questions about the medicare bill.

The CHAIRMAN. We will let Mr. Lillywhite speak first, and then the committee will ask questions of both of you.

### **STATEMENT OF RAY L. LILLYWHITE, LEGISLATIVE COMMITTEE, NATIONAL COUNCIL ON TEACHER RETIREMENT**

Mr. LILLYWHITE. Mr. Chairman, I am Ray L. Lillywhite, executive director of the State Teachers Retirement System of Ohio, and member of the legislative committee of the National Council on Teacher Retirement, as a member of the legislative committee carrying on some of the work that your friend, Mr. Pyle, has done for many years, Mr. Chairman.

The National Council on Teacher Retirement is made up of 41 State and 16 large-city retirement systems and represents over 2 million teachers, faculty members, school administrators, and nonteaching school employees throughout the United States and Puerto Rico. It is those people whom I am representing today.

We appreciate the opportunity to present our views on the matter of tax equity for retired persons.

We support the enactment in 1954 of the retirement income tax credit and for many years have worked for the improvement of this provision.

We assume the purpose of the retirement income tax credit is to provide tax relief and tax equity for retired persons. It presently provides a different amount of tax relief for some than for others similarly situated and therefore creates an inequity.

Workers, including covered teachers, pay no taxes on social security income. Teachers and other public employees do pay taxes on benefits from their State and local retirement systems. It is this inequity which the retirement income tax credit is designed to reduce or eliminate.

The maximum tax credit now is 15 percent of \$1,524, with reductions for earned income and any social security benefits. The base figure (\$1,524) is the key to maintaining equity. If it is set at the average maximum payable under social security each year, the result will be that those who may use the tax credit will receive about the same tax treatment as those who receive tax-free social security benefits.

We strongly urge that this committee consider an amendment which would provide such conformity, on a continuing basis, so that retired persons not receiving social security benefits would have a tax credit equal to that available to those who receive social security payments.

To bring about this conformity at the present time would require that the \$1,524 figure be increased to approximately \$1,872. However, unless the law is amended to provide automatic adjustments,



another inequity would occur as soon as social security benefits are increased.

The perfect and painful example of this is the fact that \$1,524 has been the maximum since 1962, even though social security benefits have been increased more than 20 percent since that time.

In 14 States most or all positions of employees in public education are not covered by social security. In seven other States coverage is either elective or on a local option basis. Thus, the positions of 30 to 40 percent of the teachers, administrators, and faculty members in the United States are not covered by social security, and consequently these workers may not be eligible for the same retirement income tax credit available to the other two-thirds.

I am speaking particularly in behalf of this one-third and a much larger percentage of those who are now retired and for whom a conforming adjustment in the tax credit is urgently needed.

We realize that many teachers and other public employees will receive social security income from sources not connected with their public employment. This will be true for a greater percentage of present employees than for those already retired.

As recently as October 4, 1969, the National Council on Teacher Retirement reconfirmed its position in favor of equalizing the tax credit for social security recipients and nonsocial security recipients. We respectfully ask the committee to consider a conforming amendment which would automatically set the base retirement income figure used in determining the tax credit at an amount equal to the average maximum payable under social security.

We feel that such an amendment would provide much greater tax equity among retired persons, as was intended by the enactment of the original tax credit revision.

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you both, Mrs. Gereau and Mr. Lillywhite.

Are there any question?

Mr. BURKE. Mr. Chairman.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. I would like to thank Mrs. Gereau for her statement in reference to the bill that Congressman Collier filed. You realize that this committee reported out the tax reform bill that is now languishing over in the Finance Committee of the Senate, which did raise the exemptions for people of low income and this affected some of the teachers who had retired maybe 10 or 12 years ago, who retired under low-salary conditions.

Of course, I agree with you that these exemptions should be raised higher to give these people at least a chance to meet their basic needs.

That is all, Mr. Chairman.

Mr. BROYHILL. Mr. Chairman.

The CHAIRMAN. Mr. Broyhill.

Mr. BROYHILL. I would like to commend Mr. Lillywhite on his statement.

You brought up a very glaring inequity which does exist in our tax laws. I have introduced legislation on several occasions in an attempt to correct the inequity which exists between the social security recipients and recipients of other retirement plans.



The Congress has recognized that this inequity does exist, when it did provide the tax credit up to the \$1,524 (I think it was). We just don't keep up as we increase social security from time to time.

So your suggestion for an automatic adjustment is a good one.

The bill I introduced used the actual figure of whatever the social security payments happen to be today. I should think that your approach would be a better one in that it would eliminate the necessity of the committee from time to time having to make the adjustment.

The administration, I think, has recognized this problem, not only this administration but the previous administration. But they made a proposal to reconstruct the entire tax structure relating to older people by actually subjecting some social security benefits to taxes in the higher income bracket.

The committee had that subject before it for consideration in the tax reform legislation, but I think one of the reasons we did not consider it was that it was complicated, and we wanted to get on with the other parts of tax reform.

I hope we will take care of this particular inequity as we act on social security this time. I shall certainly bring it up in executive session and hope that the committee will consider it.

Mr. LILLYWHITE. Thank you.

It will certainly save a lot of hours for you gentlemen, because as soon as our people, those representing non-social-security States, get behind again, we will have to come back and visit with you.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. I first would like to welcome Mrs. Gereau and Mr. Lillywhite to the committee. I feel rather unique in welcoming them, being the last man on the committee, but I have known them from other activities. I know them to be hard workers and straight shooters.

I would like to ask you some questions.

You say that one-third of the people in education are not covered by social security.

Mr. LILLYWHITE. Those are the best figures we have, Mr. Gibbons.

Mr. GIBBONS. Is this primarily because the States have opted out and did not want to join the program?

Mr. LILLYWHITE. Yes, it is.

Mr. GIBBONS. Are the benefits provided by those States comparable to bring these people up to the same standards as in other States that are covered by social security?

Mr. LILLYWHITE. The benefit, as far as retirement income and survivor benefits, is comparable in these States to those which have adopted social security for their public employees.

Mr. GIBBONS. What happens if by necessity somebody from one of these States has to move another place?

Let us take a married woman, and her husband has to move because he is commanded by the company he works for to move. What happens? I guess they lose these benefits?

Mr. LILLYWHITE. This is what happened when I left Wisconsin and went to Ohio. I took with me some social security coverage. This is what happens with the teacher who leaves a social security State and goes to a non-social-security State.

It depends on whether that teacher has met the minimum qualifications for social security or not.

Mr. GIBBONS. I commend the States for looking after their own, but in a country that prides itself on its mobility and its common market concept, it seems to be a little antiquated to have one-third of our highly skilled personnel tied down because they have to throw away their retirement benefits.

Mrs. GEREAU. Mr. Gibbons, you are raising an interesting point. There has been a bill introduced—I am not familiar with the number of it right now—called the Teacher Retirement Mobility Act, which gets exactly to the heart of what you are talking about.

We have not pressed it before this committee at this time, because you obviously have quite a bit to do, but it will be something we will be pushing. It is to provide for this type of transfer: if the person is teaching in one State for 7 years and moves to another, that there will be an opportunity to not lose the retirement benefits that have accrued.

I am not familiar with the details of the bill.

Mr. GIBBONS. Some of these local retirement systems, as good as they are, have the effect of taking some families and some people within families and making prisoners out of them. They cannot really enjoy the mobility that most other Americans enjoy, of being able to move from one part of the country, sometimes almost involuntarily because of family necessity; sometimes illness, sometimes death of the breadwinner requires moving from one place to another, and they have to throw away the benefits they have built up.

I would prefer to see covering all these people by social security and giving them the same mobility and same rights all the other Americans have.

Mrs. GEREAU. The problem is that in some of the States they don't want to be covered by social security. I think that is the case in Massachusetts and in California, both.

They have a different type of retirement system from what perhaps they have in other parts of the country, and they are satisfied, they don't want to change.

But the medicare problem has been one which has been severe, with the high cost of medical care now. There is some indication, at least, it has been forced up to the private annuitant who is not covered by medicare.

So they are hoping that this kind of procedure which has been sponsored by members of this committee would make it possible for the States to become involved in assisting them when they are retired.

Most teachers retire at a pretty low income anyway. The high cost of medical care this day and age could wipe out their entire year's income in 1 month. This is a pretty disastrous thing. They have already retired without social security and we want to do something for them.

Mr. GIBBONS. I don't want to take any more of the committee's time, but I would appreciate the opportunity to discuss with you, perhaps sometime in my office, why some people do not want to join social security.

I think as a matter of principle we ought to make the program as comprehensive as possible, to give people mobility in this country.

Thank you.

Mr. BETTS. Mr. Chairman.

Mr. BURKE (presiding). Mr. Betts.



Mr. BETTS. At the bottom of the first page of Mr. Lumley's statement it says, "The following table lists the States and the potential number of instructional staff involved."

Does that go back to the first sentence?

Mrs. GEREAU. These are the States that at the present time do not have the medicare coverage. The statement goes on and we point out that that does not mean that there are 760,000 teachers not covered by medicare, because some of them are covered either because they are married women whose husbands are working and they are covered that way, or they may be people who work in the summertime and are covered by social security in other jobs than in their education programs.

So we really don't know exactly how many. A sort of educated guess is that 65 percent of the teachers in this country on the average are women. Of this 65 percent, 68 percent of them are married. Assuming that they are all married to somebody who is covered by social security and deducting that from the 760,000, you would wind up with a figure of approximately 430 that are not covered by medicare.

Mr. BETTS. Is that general statement pretty much the truth in Ohio, Mr. Lillywhite? About 65 percent of that 105,000?

Mr. LILLYWHITE. Yes, I think as far as the figures are concerned it is probably on a par with the country.

Mr. BETTS. Thank you.

Mr. BURKE. We want to thank both witnesses for their contribution.

Our next witness is Mr. Clarence Mitchell.

On behalf of the chairman, Mr. Mitchell, I wish to state that the chairman and the ranking minority member had to go to the House floor but they are going to read your testimony and pay close attention to what you are saying.

#### **STATEMENT OF CLARENCE MITCHELL, DIRECTOR, WASHINGTON BUREAU, NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE**

Mr. MITCHELL. Thank you very much, Mr. Burke.

I have a statement that is very brief that I would like to read. I do want to call attention to the fact that I am correcting a very unfortunate error that occurred in the first paragraph. The typist left out some key words. It will be clear when I read my testimony.

I am Clarence Mitchell, director of the Washington Bureau of the National Association for the Advancement of Colored People. Today I appear in support of the broad objectives of H.R. 14173, the Family Assistance Act of 1969.

The words "broad objectives" were left out, unfortunately. I hope we can make it clear that although we are at odds with the administration on some things from time to time, we do not want to be in a position of failing to appreciate the constructive efforts that are made.

I happen to know of my own knowledge that there was a great deal of work at the White House on this whole program. While, as my testimony will indicate, we are not in full agreement with some parts of it, there is no doubt about the sincerity of those who were working on this very complicated problem.



We support the general plan to improve and extend benefits of the social security system. We also advocate that these improvements be made applicable as early as possible.

By "early as possible," of course, we mean that we would like to see the kind of thing that Mr. Gilbert has in his bill which would make these benefits available to the persons in need at an earlier date than the time contemplated by the administration.

We have made a careful study of H.R. 14173, "a bill to authorize a family assistance plan providing basic benefits to low-income families with children, to provide incentives for employment and training to improve the capacity for employment of members of such families, to achieve greater uniformity of treatment of recipients under the Federal-State public assistance programs and to otherwise improve such programs, and for other purposes."

We agree that the welfare programs of the Nation need revision and improvements. It is also apparent that in some parts of the country where welfare recipients receive very low benefits or where there are no welfare programs at all, the provisions of H.R. 14173, establishing a plan of financial assistance, could be very helpful.

There is an asterisk there, indicating that I quote from the statement made by Mr. Alexander Waites, director of the NAACP income maintenance program, who is in Mississippi. He advised me that a careful study made in that State by him and some of his other associates reveals that the pattern of giving welfare assistance comes about like this:

First, a determination is made of what the family would need as a minimum standard of subsistence. Then the grant is made in the amount of only about 28 percent of what has been determined as the minimum need.

He indicated that one of the awful aspects of this is that sometimes it comes out with a person getting as little as 14 cents per meal as an allowance.

Obviously, the plan in the Byrnes bill would vastly improve that kind of situation.

It has been our experience that many Federal programs do not provide the intended benefits for those in need because of poor administration or deliberate intent to deprive citizens of benefits in some States. We strongly recommend that any plan of assistance provide for direct Federal operation if a State is unwilling or unable to put it into effect.

There, of course, we had the experience with surplus commodities, for example. We had two counties in Tennessee at one time where the persons who sought the right to vote were denied surplus commodities.

Some of us who were interested in that went over to the White House at the time. It was under the Kennedy administration. We had an awful job trying to work out a mechanism by which food that was available could be put into these counties where people were being deprived of help.

It was simply because under the existing regulations the food was supposed to go through the local county government and these people refused to be the transmission for that food.

We had somewhat the same problem with respect to food stamps last year. We had quite a little tussle with the State of South Carolina as to whether a surplus food program or a food stamp program would be initiated in that State. They finally got a statewide food stamp program.

It seems to me we would not have to face those programs if there would be incorporated into the legislation some automatic trigger under which the Federal Government would act if a State did not fulfill its duty toward its citizens.

We are also concerned about the provisions of the bill that deal with training employment and child care. There is a great need for the most stringent regulations that would prohibit forcing welfare recipients to accept employment that does not pay fair wages or to work under conditions that would be hazardous to health and safety.

There is also a serious question about whether mothers should be required to work, even though there may be provisions for care of young children. It is our opinion that training and work programs for mothers should be entirely voluntary. It is our feeling that the mothers themselves are the best judges of whether they can be out of the home or not, and the decision to work ought to be left with them.

From my knowledge of the way people react to these things, I would say that in 90 percent of the cases the mothers would want to work. I think if they had the choice, they would, themselves, work ways of seeing to it that their children are taken care of.

We do not now make any observations on the elimination of present provisions for cash assistance for families with dependent children as provided by sections 437 and 103. However, we would appreciate an opportunity to submit for inclusion in the record at a later date a brief statement on these two sections.

That concludes my statement, Mr. Chairman.

Mr. BURKE. Thank you, Mr. Mitchell.

Are there any questions?

Mr. GILBERT. Mr. Chairman.

Mr. BURKE. Mr. Gilbert.

Mr. GILBERT. I would like to welcome my friend, Mr. Mitchell, and compliment him on his fine statement, and particularly thank him for his support of my social security bill.

Mr. MITCHELL. We are very grateful for what you have done, Mr. Gilbert. Many of the organizations with which we are associated have studied the bill and are very enthusiastic about it, as we are.

Mr. GILBERT. Thank you very much.

Mr. BURKE. Mr. Betts.

Mr. BETTS. I think it would be well, if Mr. Mitchell is going to make a subsequent statement, that he have unanimous consent to introduce it at this point in the record.

Mr. BURKE. Without objection, it is so ordered.

Mr. BETTS. You have made a good statement this morning. It ought to be kept together.

Mr. MITCHELL. Thank you, Mr. Betts.

(The statement referred to was not supplied in time for printing.)

Mr. BURKE. Mr. Gibbons.

Mr. GIBBONS. I commend Mr. Mitchell for coming here and giving his thoughtful analysis of the problems the committee faces.



I agree with you there needs to be some bypass type of provision in this act in the case of a State or whatever agency finally carries out this bill.

Frankly, the other day, talking to the Secretary of HEW, he had not decided who was going to carry out the actions in the States. I am not sure that this program has really been thought through extensively enough to do all the things that are claimed for it.

Now I realize it is pretty tough to come into office in January and have a program all ready by the middle of the summer and get it up here by the fall.

I, for one, thoroughly agree with you that where you have a recalcitrant State or local government, you have to have some way of getting around them and getting the rights to these people.

One of the things that worried me about this whole working aid to the working poor is whether or not this could not just turn into a subsidized low-income labor pool for particular types of industries. Based upon your knowledge of what goes on, would you think that this is a real problem?

Mr. MITCHELL. I certainly do, Mr. Gibbons. I think it is a hazard. But before I elaborate on that, I would just like to say that I agree with you about the somewhat hazy relationship between the Federal Government and the States where recalcitrance is involved.

We had an opportunity to comment on the administration's proposal before it was sent to Congress. I raised that specific question with some of those who were working on this program.

I was advised that the administration contemplates the withholding of funds as the means of obtaining compliance, and indeed that is in the bill, in the Byrnes bill.

But I think a more positive approach would be, let us let the Federal Government operate it in the interim period. Then the people who are supposed to benefit would not suffer because of an attitude on the part of the State over which they had no control.

With reference to the employment thing, I recognize that there is a real risk of some employers who want to exploit people making use of this kind of program. I suppose the ideal solution would be to have a guaranteed annual wage. I don't know how close we are to that.

I can see that if we cannot have the guaranteed annual wage, this would at least be helpful in meeting some of the immediate problems of people who are presently on welfare, who would like to work but who cannot afford to take a job because it means they are cut off. This is really incredible, but I know, based on the information which has come into our office, that this is true.

Mr. GIBBONS. I thank the gentleman.

Mr. BURKE. Mr. Mitchell, I also want to express my apprehension about the restrictions that are being recommended in this proposed legislation, as I also expressed my apprehension back when they put the restrictions on ADC.

I would hope that the administration would not penalize innocent children because of the failure of the parents to accept some of these programs that are proposed.

In reference to the question asked by Mr. Gibbons, there are several States that have little or no minimum wage. I would hope that in your statement that you are going to submit, you might make some recom-



mendations on how we can meet that problem so that we don't find the U.S. Government subsidizing sweatshop conditions under the guise of aiding the poor people of this country.

Mr. MITCHELL. I think you are so right on that, Mr. Burke. It would seem to me that even if you did it under the Byrnes bill, this could be accomplished by a requirement that the Secretary of Labor establish a minimum wage which would be the suitable wage in employment that people are required to take, so that if there was not a State law, the Federal regulations would apply.

But I think we do have to do everything possible to avoid that, because I can foresee a situation arising where a person does not want to take a starvation-wage job but some local employment service, which is charged with the responsibility of making a determination, would say, "Either you take that job or you or your family cannot get benefits."

This to me would be a shameful thing to happen, but I am sorry to say that I know of States where not only could it happen but it has happened.

Mr. BURKE. Thank you.

Mr. GIBBONS. May I interrupt?

It could certainly still happen in agriculture, could it not?

Mr. MITCHELL. There is no doubt about it, Mr. Gibbons.

Mr. BURKE. Thank you very much, Mr. Mitchell.

Mr. BURKE. Our next witness is Andre Maisonnier.

#### STATEMENT OF ANDRE MAISONPIERRE, VICE PRESIDENT, AMERICAN MUTUAL INSURANCE ALLIANCE

Mr. MAISONPIERRE. Mr. Chairman, my name is Andre Maisonnier. I am vice president of the American Mutual Insurance Alliance, a voluntary association of over 100 mutual property and casualty insurance companies. Alliance companies write about \$1.5 billion annually in protection against income and medical losses. Our companies very much appreciate the opportunity of presenting their views regarding the expansion of the social security disability programs.

With your permission, Mr. Chairman, I would like to summarize our statement. A complete copy of the statement has already been submitted and it would be appreciated if it could be made a part of the record.

Mr. BURKE. You also want to include the charts?

Mr. MAISONPIERRE. We would very much appreciate that, sir.

Mr. BURKE. Without objection, your entire statement with all the charts will be included.

(The statement referred to follows:)

#### SUMMARY OF ALLIANCE STATEMENT

Alliance urges that extreme care be given by Congress in expanding the scope and function of the Social Security program. The program should not, inadvertently, reduce the effectiveness or efficiency of other systems, also aimed at replacing loss of wages or at providing health care protection, by duplicating the functions which those programs are already fulfilling.

Involving social security in benefit programs aimed at replacing wages lost as a result of temporary disability would add substantial cost to the program while also doing irreparable harm to a number of existing programs, both public and private, having similar objectives.

Of those who would be seriously injured by such a major expansion, the beneficiaries of workmen's compensation would suffer the most since the system upon which they depend would be squelched by the duplication of social security.

There is no question that if the disability provisions of the present law are expanded into the temporary disability field that private initiative to provide insurance for temporary disability would come to a halt and social security would ultimately have to absorb the \$1.2 billion now being paid in this area.

In addition, it is likely that the drive to upgrade workmen's compensation benefit programs would be seriously affected. Why should a state saddle its industrial community with a cost which the federal system volunteers to accept?

Analysis of state workmen's compensation figures would indicate that if the present 12 month disability prognosis were reduced to 6 months, the number of beneficiaries entitled to social security disability benefits would increase by 250%, and if reduced to 3 months, the number would jump by 800%.

In fact, there are countrywide about 100 times as many workmen's compensation temporary total disability claims as there are permanent total disability claims, and the cost of these temporary disabilities is in excess of 10 times the cost of the permanent disabilities.

The Alliance believes that rather than broadening the base of distribution for social security benefits that priority should be given to upgrading benefits for those who are dependent upon it as a means to remain off the welfare rolls.

#### STATEMENT OF THE AMERICAN MUTUAL INSURANCE ALLIANCE

I am Andre Maisonnier, vice president of the American Mutual Insurance Alliance, a voluntary association of over 100 mutual property and casualty insurance companies. Alliance companies write about 1.5 billion dollars annually in protection against income and medical losses. They have constantly helped the American public reduce the effects of disabilities and illness through programs of total medical management and rehabilitation. (See Appendix F.)

We are appearing today to urge that extreme care be given by Congress in expanding the scope and function of the social security programs. The program should not, inadvertently, reduce the effectiveness or efficiency of other systems also aimed at replacing loss of wages or at providing health care protection by duplicating the functions which those programs are already fulfilling.

#### FUNCTION AND OBJECTIVES OF SOCIAL SECURITY LAW

The social security system has been most efficient in providing the American worker, if severed permanently from the labor market, with the certainty of a wage replacement floor. In many instances, it has encouraged individual initiatives to add to this floor through a combination of avenues made available by the private insurance industry.

Thus, we have witnessed over the past 30 years the growing use of life insurance by all classes of our society. Likewise, the phenomenal growth of private pension plans has been made possible by the fact that Congress has very wisely insisted that the social security retirement benefit structure should be flexible enough to allow for improved benefits whenever these are possible.

We do not believe that when Congress broadened the social security law in 1956, to provide for benefit payments to the permanently totally disabled, it did as some have stated, broaden the basic concept of the use of social security funds. What Congress did was to recognize that permanent disability was just as much a permanent withdrawal from the labor market as retirement and death. Thus, the expansion of social security benefits to the totally disabled was in line with the philosophy upon which the social security system was established.

Additionally, we believe that Congress has, through its actions, recognized that the social security system should not be used to duplicate existing private or government programs. You will recall that in 1965, you gave specific recognition to state workmen's compensation programs by prohibiting the payment of medicare benefits to anyone entitled to similar benefits under state workmen's compensation laws, and by demanding that when workmen's compensation and social security disability benefits are payable for the same disability, social security benefits be reduced so that the total payments do not exceed 80 per cent of the beneficiary's earnings before the onset of disability.



Recipients of both social security and workmen's compensation will continue to benefit if the two systems can grow by complementing each other and not be competing with each other.

There are indications, however, that pressures are developing to change the basic thrust of social security by involving it in benefit programs aimed at replacing wages lost as a result of temporary disability. Such a major expansion of the social security philosophy would add substantial cost to the program, while also doing irreparable harm to a number of existing programs, both public and private, having a similar objective.

#### FUNCTION AND OBJECTIVES OF STATE WORKMEN'S COMPENSATION PLANS

Of these programs which would be seriously injured, workmen's compensation would suffer the most. The concern is not what happens to workmen's compensation as a system. It is, however, that the beneficiaries of workmen's compensation are likely to fare much worse if the system upon which they depend is being squelched by social security.

Let us see how expansion of social security benefits to the temporarily disabled workers would effect workmen's compensation beneficiaries.

As we have stated before this Committee on a number of occasions, today's broad objectives of our State workmen's compensation programs consist of keeping our working population on the job, through well-managed safety programs and intensive medical and vocational rehabilitation of those who have had the unfortunate experience of sustaining occupational injuries or diseases; and to provide continuing medical care and cash income replacement benefits for those who are incapable of being restored to useful functions. Nearly everyone is familiar with the latter, traditional objective of workmen's compensation—an objective that is inherent in the name of the system. However, the unique accomplishments of the system toward the preservation of our working population should be considered in greater detail.

The genius of the State workmen's compensation system is that it has attacked the very root of the necessity for its existence—the occurrence of accidents. What other social insurance program can make a similar claim?

The workmen's compensation system has enjoyed greater success in accident prevention by making workmen's compensation a part of the competitive, private business enterprise system. It has done this by basing rates on the principle that the cost of industrial injuries should be borne by the employer. Employers were quick to recognize that it is better management to spend some time and some money on safety than a great deal more time and money on the results of accidents themselves. The maintaining of safe working conditions is no longer just a humanitarian goal, but an economic necessity.

This competitive drive to reduce workmen's compensation costs has helped substantially in reducing industrial injuries. Since 1926, the frequency rate has dropped 77 per cent. The severity rate has been reduced by 74 per cent. In terms of human lives saved, based on the growth of our working population and the reduction in the percentage of fatalities, 3,010 workers were not killed last year in industrial accidents because of the improvement in the work environment generated, to a large degree, by the incentives built into the State workmen's compensation system.

Rehabilitation is another area which is being used extensively to reduce costs and where business, economic, and humanitarian elements are made to mesh in order to achieve a desired objective.

It was the need to restore losses brought about through industrial injuries which gave major impetus to rehabilitation. Indeed, it is the business of the state workmen's compensation system to help injured men and women to return to their jobs. The control of disability through maximum restoration of a disabled person has become the challenge of every injury.

It is a truism that when effectively met, this challenge is beneficial to everyone concerned—the injured employee who regains his self-respect by returning among the ranks of the wage earners, his family and the state which is now being supported by the individual rather than supporting him, and the employer who again has acquired the use of a highly skilled employee and whose workmen's compensation premium costs have been reduced. The social effects of rehabilitation are too obvious to need further elaboration.

On the financial side of the picture, maximum rehabilitation means minimum losses to industry, in both monetary cost and loss production. These savings resulting from properly administered rehabilitation programs are passed on to



employers in the form of reduced workmen's compensation rates. Thus, again we see a built-in incentive in the workmen's compensation programs which encourages both employers and their insurance carriers to maximize rehabilitation facilities in all possible cases. This is the reason why workmen's compensation has used the rehabilitation process to such overwhelming advantage.

We are not making any claim that the workmen's compensation system has reached its utopia. We are most conscious that many state laws are still lagging in their benefit level. Many individuals, as well as groups, have been working toward upgrading the benefit levels. In many states, great success has been achieved. However, continued improvement is needed to keep up with increases in the cost of living and improved wage scales as well as higher medical costs.

#### OVERLAP EFFECTS FROM SYSTEMS

Although sophisticated employers are willing to accept reasonably higher workmen's compensation costs to insure that their injured employees will receive adequate support when injured, they are demanding greater efficiency in the benefit distribution mechanism. For instance, employers demand that benefits paid under workmen's compensation do not duplicate those being paid under some other social insurance system over which they have no control. When such duplication occurs, one witnesses great reluctance to upgrade state workmen's compensation laws.

Let me cite you a few examples: The workmen's compensation laws have been severely criticized because of inadequate provisions being made for widow benefits. The criticism is well taken—but only if workmen's compensation is examined in a vacuum. Widow benefits are low. However, widows are also entitled to social security benefits. Employers reason that it is needless to expand workmen's compensation death benefits because the social security system seems to have pre-empted the area.

The receipt of social security benefits by the disabled and by widows has been advanced as an argument against attempted adjustments of the benefit rate of any person who has been totally and continuously disabled for over a number of years. Workmen's compensation benefits are supposed to make public assistance unnecessary; and, to a large extent, the program does accomplish this goal for those where disability is of a temporary nature. The program has fallen short, however, in those cases where the accident happened many years ago and the injured person or his widow is drawing compensation based on the benefit rate that was in effect at the time of the accident. Those who oppose the upgrading of benefits to the current level point to the fact that social security also is providing benefits to the widows and to those who suffer from long-term disabilities. These arguments are hard to refute. Also, there are those who argue—rather convincingly—that workmen's compensation benefits should be reduced by social security benefits when the disabled is entitled to receive benefits from both sources. This argument relates to costs. Those who argue this line point to the fact that this would reduce employer operating costs by saddling part of the cost of workmen's compensation on employees themselves. It will be remembered that employees pay 50 per cent of the cost of social security, but employers pay the total cost of workmen's compensation. Thus, some employers see a way by which they can pass on to employees part of the cost of workmen's compensation. It is interesting to note that employers who most often urge the reduction of workmen's compensation benefits by the social security benefits are those who have the least sophisticated safety programs. Thus, these employers would stand to gain not only by having their employees assume part of the cost of workmen's compensation, but also, they would escape the penalties of being charged higher than average rates because of inadequate safety programs.

#### REVIEW OF PROPOSED CHANGES

A number of proposals have been advanced which would liberalize the Social Security disability benefit program by reducing the waiting period, or by making an applicant eligible for benefits after six or even three months of continued disability regardless of the expected duration of such disability.

It is obvious that such proposals would drastically alter the thrust of the Social Security System. No longer would the Social Security system be aimed at replacing wages for those who are permanently separated from the labor market. It would establish a brand new federal program aimed at replacing wages of the

temporary disabled. It is obvious that the ultimate reach of such program will be to pay Social Security benefits to anyone disabled, for any length of time.

It would be hard to argue against such a program if no improvement had been made in replacing loss of wages for the temporarily disabled worker. But this is not the case. On the one hand, all 50 states have workmen's compensation programs which protect workers against wage losses resulting from industrial accidents or diseases. In addition five states have enacted legislation requiring employers to provide temporary wage replacement benefits, regardless of cause. Also, one cannot ignore the tremendous growth in voluntary wage replacement programs which today have insured 80% of our working civilian population with funds upon which they can depend if unable to work because of a disability arising out of any cause whatsoever.

Not only did the number of wage earners protected against any income loss increase by almost 50% from 1955 to 1967, but the percent of the civilian labor force covered increased by almost 20% during the same period of time (See Appendix A).

There is no question that if the disability provisions of the present law are expanded to thrust the Social Security system into the temporary disability field that private initiative to provide insurance for temporary disability will come to a halt. No employer will want to duplicate such coverage if his employees are entitled to the protection under the Social Security system, and the latter will ultimately have to absorb the \$1.2 billion now being paid to workers for their temporary inability to work due to non industrial disabilities. (See Appendix B). It may be noted that the overwhelming percentage of these benefits are paid for by employers through group insurance or formal paid sick leave. If absorbed into the social security system, 50% of the cost of these benefits would have to be paid by employees themselves. (See Appendix C).

In addition, it is likely that the drive to upgrade workmen's compensation benefit payments—a drive which is strongly supported by our companies—would be seriously affected. After all, where would the incentive be for the states to increase workmen's compensation benefit levels—hence the cost of workmen's compensation to employers within the states—if injured workmen entitled to workmen's compensation benefits also become entitled to Social Security benefits? Why should a state saddle its industrial community with a cost which the federal Social Security system volunteers to accept?

Enactment of legislation to broaden the scope of the disability provisions of the Social Security law would create a rather incongruous situation in Congress. On the one hand, the House and Senate Labor Committees have demanded the upgrading of state workmen's compensation benefits. On the other hand, action by this Committee to broaden the scope of the disability program would make such demand almost impossible to accomplish.

Finally, we must look at costs. The Alliance believes, that it is a fair statement to make that neither workmen's compensation nor Social Security benefits have reached desirable levels. The primary reason for this is cost. It would thus seem that before expanding into new areas, Social Security should meet the obligations which it has undertaken to provide adequate wage replacements for those who have separated themselves permanently from the labor force. This is especially true in this case since there is no urgent social needs for expanding Social Security benefits to the temporarily disabled employee. This is so, not because temporary disabled can get along without wage replacement, but rather because such wages are being replaced by other systems at this time. It is difficult to project the potential cost increase involved if the twelve months disability prognosis were to be relaxed. Analysis of workmen's compensation figures for the states of Wisconsin, California and New York, the only states which keep accurate disability statistics, indicates that if the disability prognosis were reduced to 6 months, the number of beneficiaries entitled to social security disability benefits would increase by 250%, and if the disability prognosis were reduced to 3 months, the number would jump by 800%. (See Appendix D). In fact, there are countrywide about 100 times as many workmen's compensation temporary total disability claims as there are permanent total claims, and, the cost of these temporary disabilities is in excess of 10 times the cost of the permanent disabilities. (See Appendix E).

#### CONCLUSION

In conclusion, we want to stress that the American Mutual Insurance Alliance strongly supports the Social Security system to the extent that it acts as a wage replacement program for those who have permanently become separated—as a



result of retirement, early death, or total disability—from the labor market. We do not believe, however, that the time has come, nor the need has arisen for the Social Security system to thrust itself into the temporary disability area. Doing this would irreparably throttle the growing development of private wage replacement programs, as well as the healthy growth of workmen's compensation benefits, being supported by the members of the American Mutual Insurance Alliance. We believe that rather than broadening the base of distribution for Social Security benefits that priority should be given to upgrading benefits for those who are dependent upon it as a means to remain off welfare rolls.

#### LOSS OF INCOME PROTECTION FOR NONINDUSTRIAL DISABILITIES

[In millions]

	Number of covered workers	Total civilian labor force	Percent of coverage
1955.....	39.5	62.1	60
1960.....	42.4	65.7	63
1965.....	50.8	71.1	71
1967.....	57.9	74.3	79

Sources: 1968 "Source Book of Health Insurance Data"; "Handbook of Labor Statistics, 1969."

#### Nonindustrial disability benefits paid

1955.....	\$617,000,000
1960.....	839,000,000
1965.....	1,046,000,000
1967.....	1,221,000,000

Source: 1968 Source Book of Health Insurance Data.

#### NUMBER OF PERSONS WITH DISABILITY INCOME PROTECTION, BY TYPE OF PROGRAM, IN THE UNITED STATES, 1946-67—INSURANCE COMPANIES

[In thousands]

End of year	Grand total	Total <sup>1</sup>	Group policies	Individual policies	Formal paid sick leave plans <sup>2</sup>	Other <sup>3</sup>
1946.....	26,229	14,369	7,135	8,684	8,400	3,460
1950.....	37,793	25,993	15,104	13,067	8,900	2,900
1955.....	39,513	29,813	19,171	13,642	8,500	1,200
1956.....	41,688	31,688	20,860	13,882	8,800	1,200
1957.....	42,939	32,739	21,399	14,539	9,000	1,200
1958.....	41,870	31,670	20,472	14,356	9,000	1,200
1959.....	42,665	32,365	20,894	14,707	9,200	1,100
1960.....	42,436	31,836	20,970	14,298	9,500	1,100
1961.....	43,055	32,055	21,186	14,301	9,900	1,100
1962.....	44,902	33,602	22,313	14,854	10,200	1,100
1963.....	46,956	34,956	23,418	15,182	10,900	1,100
1964.....	48,171	37,171	24,434	15,443	10,900	1,100
1965.....	50,804	38,004	26,518	15,113	11,700	1,100
1966.....	54,374	40,774	28,698	15,890	12,500	1,100
1967.....	57,912	43,512	31,459	15,859	13,300	1,100

<sup>1</sup> Net total of people with insurance company protection. Eliminates duplication among persons with more than 1 insurance policy.

<sup>2</sup> People with formal paid sick leave plans but without insurance company coverage.

<sup>3</sup> Include union-administered plans and employee mutual benefit associations.

Source: Health Insurance Council and Health Insurance Institute.



## TOTAL DISABILITY PERIOD DISTRIBUTION (WORKMEN'S COMPENSATION)

	3 to 6 months	6 to 12 months	Over 12 months
Wisconsin.....	707	132	22
New York.....	5,749	2,184	1,102
California.....	8,800	2,500	850
Total.....	15,254	4,816	1,924

Source: State industrial insurance commissioners.

## WORKMEN'S COMPENSATION LOSSES BY TYPES OF DISABILITY

	Number of claims	Indemnity cost
1960:		
Permanent and total.....	618	\$11,354,773
Temporary total.....	533,107	165,630,253
1965:		
Permanent and total.....	589	14,944,216
Temporary total.....	590,204	196,261,477
1967:		
Permanent and total.....	663	18,649,050
Temporary total.....	605,581	220,350,393

Source: National Council on Compensation Insurance, New York, N.Y.

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Madison, Wisconsin 53701

Mr. MAISONPIERRE. We are appearing today to urge extreme care in expansion of the scope and function of the social security program. The program should not, inadvertently, reduce the effectiveness or efficiency of other systems also aimed at replacing loss of wages or at providing health care protection by duplicating the functions which these programs are already fulfilling.

The primary function and objectives of the social security system has been to provide a wage replacement floor for those permanently severed from the labor force. This philosophy has been primary in the Congressional expansion of social security over the past 30 years.

Furthermore, Congress has, through its actions, recognized that the social security system should not be used to duplicate existing private or other Government programs. Congress has adopted the policy that social security, as a wage replacement program, should not compete with other insurance plans, but, instead, should be used to complement such plans.

There are indications, however, that pressures are developing to change these basic thrusts of social security by involving it in benefit programs aimed at replacing wage losses resulting from temporary disabilities. Such a major change in philosophy would add substantial cost to the social security program and would also do irreparable harm to a number of existing programs, both public and private, having similar objectives.

The beneficiaries of workmen's compensation would suffer the most by such an expansion since the growth of the system upon which they depend would be squelched. Although sophisticated employers are willing to accept reasonably higher workmen's compensation cost to insure that their injured employees receive adequate support when injured, they are demanding greater efficiency in the benefit distribution mechanism.

For instance, employers are demanding that benefits paid under workmen's compensation should not duplicate those being paid under some other social insurance system over which they have no control. When such duplication does occur, one witnesses great reluctance to upgrade State workmen's compensation laws.

Already, there are instances where the lag in adequate workmen's compensation benefits can be traced directly to the peripheral competition of the social security system. Furthermore, it is likely that the drive to upgrade workmen's compensation benefits programs will be seriously affected. Why should a State saddle its industrial community with a cost which the Federal system volunteers to accept?

Restricting the national growth of State workmen's compensation laws should not be the only concern. If the 12 months prognosis provision of the present law is relaxed, private initiative to provide insurance for temporary disabilities of a nonindustrial nature will ultimately come to a halt and social security will have to absorb the \$1.2 billion now being paid in this area.

Today, 80 percent of our working civilian population is protected against loss of income resulting from nonindustrial disability. This protection is one of the fastest growing programs of our entire social insurance system. The number of wage earners protected against such income loss has increased by almost 50 percent from 1955 to 1967 as contrasted by a 20-percent increase in the civilian labor force.



Finally, we urge you to be conscious of cost. We believe that neither workmen's compensation nor social security benefits have reached desirable levels. The primary reason for this is cost. It would seem that before expanding into new areas, social security should meet the obligation which it has undertaken—that is: to provide adequate wage replacements for those who have separated themselves permanently from the labor force.

It is difficult to project the potential cost increase involved were the present 12 months disability prognosis to be relaxed. Analysis of workmen's compensation figures indicate that if the prognosis period were reduced to 6 months, the number of beneficiaries entitled to social security disability benefits and workmen's compensation benefits would increase by 250 percent, and if reduced to 3 months, the number would jump by 800 percent.

In fact, countrywide, about 10 times as many workmen's compensation injuries result in temporary total disability as in permanent total disability and the cost of these temporary disability cases is in excess of 10 times the cost of the permanent disabilities.

The alliance believes that rather than broadening the base of distribution for social security benefits, priority should be given to upgrading benefits to those who are dependent upon them as a means to remain off the welfare roles.

Thank you very much.

Mr. BURKE. Thank you. Are there any questions. There being no questions the committee will stand in recess until 2 p.m., when the remainder of the witnesses will be heard.

Mr. Charles C. O'Donnell will be leadoff witness at 2 p.m.

(Whereupon, at 12:20 p.m. the committee recessed, to reconvene at 2 p.m. the same day.)

#### AFTERNOON SESSION

The CHAIRMAN. The committee will please be in order.

Our next witness is Mr. Charles C. O'Donnell.

Mr. O'Donnell?

Mr. BURKE. Mr. Chairman?

The CHAIRMAN. Mr. Burke.

Mr. BURKE. While the witness is approaching the table, I would like to say that I have known Mr. O'Donnell for over 30 years and he has been in the forefront fighting for the elderly during all those years and most of the meaningful legislation that has been written at the State level benefiting the elderly of the Commonwealth of Massachusetts has been at the instigation and the leadership of Mr. O'Donnell.

The CHAIRMAN. Mr. O'Donnell has been before the Ways and Means Committee in the past, too.

#### STATEMENT OF CHARLES C. O'DONNELL, EXECUTIVE DIRECTOR, SENIOR CITIZENS AND ASSOCIATES OF AMERICA, INC.

Mr. O'DONNELL. Thank you very much.

Mr. Chairman, and honorable members of the committee, my name is Charles C. O'Donnell of Lynn. I am executive director of the Senior Citizens Association of America, Inc. a nonprofit corporation under the laws of the Commonwealth of Massachusetts.

Would I be entirely without gratitude if I didn't take a half a minute of my time—and don't worry, I won't say too much, as I read some place in the paper where they had this rule in the committee that you could talk as long as you could stand on one leg. Well, as I can't stand on either one, I will make mine short.

At this time, I wish to extend to you and the honorable members of your committee the thanks of those our society has the honor to represent for the last two increases granted under amendments of the Social Security Act. Since that time, as you undoubtedly know, there has been a steady increase in the cost of living, and the social security beneficiaries are still in want.

I don't want you to think this is a mutual admiration society but the officers and members of our society wish to publicly commend Congressman James A. Burke, a member of your committee, for his untiring efforts throughout his political career to make life a little more pleasant for our older Americans.

I might tell you that the reason why we feel that way is he stuck with us for 36 straight hours and they kept moving the clock back calling the legislative day, and my friend, Representative Burke, stood behind us and we got our bill passed.

Our society was formed 44 years ago and has been actively engaged in supporting legislation benefiting our older Americans ever since. Our older Americans who are on social security during their lifetime have worked and accumulated a certain amount of savings which prevents them from receiving old age assistance and medicaid, and they are really the forgotten people of our Nation.

Your committee has a number of bills before it providing for amendments to the Social Security Act. I am not going to designate any one particular bill, but leave that task to the judgment of your committee. I note that the various petitions before your committee provide for a percentage increase. I wish to respectfully call your attention that through a percentage increase those receiving the least amount of social security will receive the smallest increases, and those up in the higher brackets will receive the largest increase. As an illustration I will state that under a 10-percent increase in the payments, those receiving \$55 a month will receive an increase of \$5.50 a month, whereas, on the other hand, those receiving \$100 a month will receive an increase of \$10 a month. I believe that a flat increase of not less than \$10 a month should be given to all beneficiaries, payable not later than the first of February and an additional \$5 a month, payable August 1, 1970. This would increase the circulating wealth of millions of our elders, and untold millions of them are in want. Circulating wealth is the lifeblood of our Nation. Untold millions of our elderly people are unable to purchase more than the bare necessities of life, and a piece of meat, a nice rare beefsteak is a luxury if they can get it.

#### PRESCRIPTION DRUGS

As medicare does not provide for reimbursement for prescription drugs, this is a terrific hardship on the beneficiaries of social security who are not eligible for old age assistance and medicaid. I am fortunate in this regard, as my medicine is furnished by the Veterans Bureau, as I draw 100-percent service-connected disability compensation.

Why I put that in is to show that I am a privileged character where the other fellow isn't.

Untold numbers of the elderly are depriving themselves of prescription drugs where they are required to pay for them themselves, and finally, when their sickness develops to such an extent that they have to purchase medicine, the hardship is almost unbearable and eats into their savings.

#### HOUSING

I find the lease housing program for the elderly and those in the lower-income group a success, and enables the beneficiaries to remain on the property they are now occupying, and the owner of the property also remains as a taxpayer. I find that many of the housing programs for the elderly are sadly abused, and in many instances the occupants are well able to pay rent on the outside, and also many of our elderly who qualify are unable to get into a housing project.

Now, in order to do away with this, I advocate that an acceptance committee of private citizens be formed in every city and town where Federal housing projects are located to pass on the eligibility of an applicant for the occupancy of one of the units. The needy aged are being discriminated against and this must be corrected.

#### HOSPITALS, EXTENDED MEDICARE FACILITIES, AND NURSING HOMES

I don't want you to think I am criticizing the Department of Health, Education, and Welfare with the best intentions in the world, have issued such rules and regulations regarding the administration of these facilities that it is almost impossible to secure the professional help required. The rates in these facilities are constantly increasing, the reasons for which are too numerous to mention.

#### PHYSICIANS

Physicians' fees, as you no doubt are well aware, have continually increased, for no good reasons except supply and demand are not in balance. There are an insufficient number of physicians to meet the medical needs of our increasing population. The general practitioner is gradually fading out, and it now seems to be an age of specialists, which means higher fees and bleeding the finances of the medicare program. I suggest that the \$50 deductible now provided in the law be decreased to \$25.

I was reading a little piece in the paper about the physicians. It seems that this plumber had sent for the doctor and the doctor says, "I can't come. You come over to my house." So later on the physician had trouble with his sink and phoned the plumber and the plumber says, "If you will bring the sink over I will look at it."

#### PARTLY EMPLOYED RECIPIENTS

The present law which provides that a beneficiary of social security can earn only a certain sum before a deduction or elimination of his social security benefits are exacted should be amended to eliminate this earning restriction, and the amount they can earn be increased before being penalized. I recommend that in the case of a husband and



wife living together that this earning restriction be considered on joint earnings, as I find that in 99 cases out of 100 only one of the spouses is employed, and the one who is working has the same exemption as a single person, which is absolutely unfair.

Your committee no doubt has legislation before it providing for increased benefits—oh, this is a terrible situation—for war mothers, widows, and orphans. In this category there is also extreme hardship.

#### PRESIDENT NIXON'S WELFARE PROGRAMS

Our society is wholeheartedly in favor of President Richard M. Nixon's welfare programs. In the long run it will relieve the necessity for many welfare programs and will increase the dignity of those who come under its provisions. The fact of the matter is, gentlemen, that it is the open wedge to a guaranteed national income which, after all, in my opinion, is the answer to eliminate poverty and will insure that every person in our Nation will have sufficient to meet their needs and will create the incentive to work in order to increase their standard of living.

I have to turn over here for just a second. Our society highly recommends H.R. 55 pertaining to the changing of the formula in computing the amount that the employer and the employee contribute to the Social Security Fund to one-third by the employer, one-third by the employee and one-third from the general fund. This will eliminate the increase in the withholding tax on social security by both the employer and the employee.

When the increased benefits are enacted for social security, I hope you will do the same thing as you did last time. When the increased benefits are granted, the increase should not be deducted from the old-age assistance grants. You save \$7.50, that all over that they could deduct and we took care of that in my State by quite a story and I won't take your time.

I wish to call your attention that the monthly premiums on medicare are scheduled for at least a 25-percent increase beginning July 1, 1970. Unless a substantial increase in social security benefits is granted, this increase in premium costs will be another straw on the back of the camel. Senior citizens really cannot afford increased premium payments unless it is offset by increased social security.

In closing, I wish to thank the honorable members of your committee for the privilege of appearing before them, and wishing good health and happiness for them and their loved ones, and also that they will meet with continued success in life. I am 79 years of age and do not expect to appear before you on many more occasions, but the times that I have been with you have been very happy and successful.

Charles C. O'Donnell—and I sign all my letters "Peace With Honor—Not Surrender With Disgrace."

And, thank you, gentlemen. If you have any questions, I will be glad to answer them.

The CHAIRMAN. Thank you, Mr. O'Donnell. We are always glad to see you before the committee. You are always very helpful to us. We appreciate your coming this time.

Are there any comments?

Mrs. GRIFFITHS. Mr. Chairman?

The CHAIRMAN Mrs. Griffiths.

Mrs. GRIFFITHS. I would like to thank Mr. O'Donnell for supporting the combination of the husband's and wife's earnings so they can draw on their combined credits. I first suggested that and now if you will help me with Mr. Burke I will be sure to get his vote for it. Thank you very much.

Mr. O'DONNELL. Thank you.

One second—in my State a husband is required to contribute to the support of his spouse but his spouse, the wife, doesn't have to contribute to the support of a husband. I think that is kind of unfair.

Mrs. GRIFFITHS. I think it is unfair, too.

Mr. O'DONNELL. They ought to support us.

Mrs. GRIFFITHS. And I have been trying to get these 24 men to agree that a man should be able to draw on his wife's social security and now maybe you can help me convince them, because I think it is only fair.

Mr. O'DONNELL. I wish I could.

Mr. BURKE. I would like to say this, Mr. O'Donnell—

Mr. O'DONNELL. God bless everyone, and if I rise above before any one of you I will say a good word for you.

The CHAIRMAN. I hope you have the key in your hand. If you have the key, we might get in.

Mr. BURKE. I would like to say for the record that I want to commend Mr. O'Donnell. He is actually only 39 years of age. He is young at heart and great in spirit, and with reference to what Mrs. Griffiths has said, may I say that I am going to give her suggestion my most sympathetic consideration.

Mrs. GRIFFITHS. Good, and vote.

Mr. O'DONNELL. Thank you.

(The following attachment to Mr. O'Donnell's statement was received by the committee:)

#### ADDITIONAL THOUGHTS

Our Society highly recommends H.R. 55 pertaining to the changing of the formula in computing the amount that the employer and the employee contribute to the Social Security Fund to one-third by the employer, one-third by the employee and one-third from the General Fund. This will eliminate the increase in the withholding tax on Social Security by both the employer and the employee.

When the increased benefits are enacted for Social Security beneficiaries the increase should not be deducted from the Old Age Assistance Grants.

May I call to your attention that the monthly premiums on Medicare are scheduled for at least a 25 percent increase beginning July 1, 1970. Unless a substantial increase in Social Security benefits is granted, this increase in premium costs will be another straw on the back of the camel. Senior Citizens really cannot afford increased premium payments unless it is offset by increased Social Security benefits.

The CHAIRMAN. Monsignor Head.

Monsignor, we are glad to have you with us today and if you will identify yourself for our record we will appreciate it.

#### STATEMENT OF MSGR. EDWARD D. HEAD, VICE PRESIDENT, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

Monsignor HEAD. I am Msgr. Edward D. Head, the executive director of Catholic charities of the archdiocese of New York. I am also vice president of the National Conference of Catholic Charities. I appear



here today to present the position of the National Conference of Catholic Charities on the subject of the hearings being conducted by this distinguished Committee on Ways and Means. The National Conference of Catholic Charities represents 400 Catholic social welfare organizations in all of the archdioceses and dioceses in the United States. We appreciate the opportunity to testify before you concerning the proposed changes in the Social Security Act affecting old age, survivors, and disability insurance, and the public welfare system.

However, at the outset, I wish to state that the testimony we are offering today is not as comprehensive and detailed as we would wish. We have not had sufficient time to properly study this proposal and we are seeking an opportunity to offer further testimony for the consideration of the members of the Committee on Ways and Means.

The CHAIRMAN. Let me interrupt you. If you do have something further to submit for the record in time to include it in the record, without objection, it will be included.

Monsignor HEAD. Thank you.

May I further state that it is the considered judgment of our conference that this proposal, particularly the one on public welfare, presents vast changes in the public welfare system of our Nation. For this proposal to be effective, it must receive not only approval of the Congress and the President but it must also receive the understanding and the approval of the public. This understanding and approval will not be forthcoming unless there is ample opportunity for public debate, the kind of opportunity that would be afforded by numerous public hearings in the States across the Nation. If this does not happen, it is our opinion that we will not have an effectively functioning welfare system although we may have an improved welfare law. Therefore, we earnestly urge that consideration be given to extending the opportunity of public hearing that is offered to us here today be made available across the Nation on the public welfare proposals of the President.

#### SOCIAL SECURITY

In these days of renewed concern over the problem of poverty in our country, it is relevant to recognize the role of social insurance as a bulwark against poverty. Granted that it is primarily a retirement program, and a provident protection against the day when a person can no longer work, it also is a basic method of assuring that a beneficiary has some income, some means of obtaining the necessities of life. Over 24 million people receive social security benefits, the largest number of recipients of any governmental program providing economic protection, many of whom have no private source of income. This income, resulting from previous employment experience, represents the primary hope of a decent livelihood for millions of people.

Consequently, we agree that social security benefits should be raised. However, we do not believe that the 10-percent increase proposed in H.R. 14080 will be adequate to enable our eligible aging citizens to live in decency and dignity. Since 1967, when benefits were last raised, the cost of living has already increased between 10 and 11 percent. If the Congress is to provide a real increase in benefits rather than an adjustment to inflationary pressures, we respectfully submit that the overall rate of increase should be at least 15 percent. Such an increase would, we believe, bring social security benefits closer to the adequate



amount necessary to enable a substantial portion of our citizens to live in dignity.

We are especially concerned, however, about the minimum benefit level. We urge a greater increase for those who receive this minimum. Presently the monthly minimum is \$55 for an individual and \$82.50 for a couple. H.R. 14080 proposes monthly benefits of \$61 and \$91.50 a month, respectively. Generally speaking, these are the persons who most depend on this social security income. Yet, the poverty level for an individual is \$139.60 per month and for a couple it is \$180.83 per month. For this group, we urge a 50-percent increase in the minimum benefit level.

We desire to see the social security increase go beyond the increase in the cost of living in order to enable recipients to live more in keeping with their human dignity. Beyond this, however, is the proposal that future benefit increases be automatically related to increases in the cost of living. This is highly desirable, and we support it. If it goes into effect, it is important that the starting point for many beneficiaries be elevated. Unless this is done, these persons will always be living under the specter of poverty, even though their increase covers the cost-of-living advance. Their base will always be disproportionately low.

In developing the means to meet the increased costs under these proposals, we believe that it is preferable, within reasonable limits, to increase the taxable wage base rather than increase the social security tax rate. We agree that the increase in the wage base from \$7,800 per year to \$9,000 is desirable. We also agree that the tax rate should level off at approximately 5 percent each for employer and employee. We recommend that if additional revenues are needed to provide the benefits proposed above, then either the taxable wage base might well be increased beyond \$9,000 per year or funds might be supplied from the general revenues.

#### PUBLIC WELFARE

##### *1. Need*

The need for reform in our national public social welfare system is recognized by all. It is a malfunctioning system. Yet, all of the abuse heaped upon it is not warranted. This system has been called upon to do many things which it was never intended to do—whether in its original concept or in its structural development. Originally, the Federal program was intended to provide financial assistance mainly for those unable to work and not eligible for social security. The sincere efforts to graft rehabilitative and social reform functions onto this original categorical assistance structure have been too much for the structure to bear.

Obviously, the need for reform arises from causes which are much more complex than can be explained in this generalized observation. Many factors converge to mandate substantial improvements in our present public social welfare system. And other social and economic factors must be taken into consideration in attempting to develop the substantial improvements which will benefit our society. For example, we cannot insure domestic tranquillity and promote the general welfare if the economic policies and stratagems which we adopt to curb the inflationary pressures on our citizens at the same time generate for us a new and larger class of permanently poor. Such an effect we re-

spectfully submit would defeat the avowed purposes of this legislation to enable the poor to become self-supporting and to terminate the incentives for family breakup.

For these and other reasons, the National Conference of Catholic Charities recognizes the necessity of the Federal Government assuming greater responsibility in the area of public welfare. As we have stated elsewhere:

"The magnitude and complexity of the problems of poverty demand a comprehensive and persevering commitment of our national resources to its elimination. This requires the extensive involvement of the Federal Government, . . . in social policy, social planning, and the financing of social services . . . It must be clearly recognized that the problem of poverty is a national problem which requires national policies and national solutions and services."<sup>1</sup>

We are also pleased with the concern for strengthening family life as manifested in "The Family Assistance Act of 1969," H.R. 14173. Certainly, this motive must guide each of the various elements of the family assistance program as they seek their primary objective of adequate income maintenance. But we submit it is equally important to regard adequate services for families as a primary objective. It is both a social necessity and a moral imperative that this family assistance program, while providing the basic materialities for decent living, also contribute to the well-being of the basic social unit, the family. The program must recognize and enhance the dignity of the individual and the wholesomeness of family life.

## *2. Provisions which we support*

H.R. 14173 contains many commendable features designed to make a beginning toward the needed reform of the welfare system. First of all a strong step is taken in establishing a truly national welfare program. A national minimum income floor is provided to assure that no person, due to circumstances beyond his control, will be forced to exist on an income below a definite dollar amount (\$1,600 for a family of four). National standards of eligibility for assistance are established. A national mechanism for administration is set up, calling upon the experience of the Social Security Administration.

Inclusion of the "working poor" is a very helpful part of this proposed legislation. This will benefit a substantial number of persons who work but who in some States earn less than public assistance beneficiaries receive. Moreover, this will provide eligibility for employable males, who are now excluded from public assistance in many States.

The work incentives contained in H.R. 14173 are, for the most part, positive and helpful. The basic approach is one which encourages income from employment earnings, rather than discouraging it by a dollar-for-dollar deduction as in the present system.

We are also happy to note that the administration proposes that the food stamp program supplement the family assistance program. It is true that the food distribution programs eventually should be eliminated in favor of an adequate cash grant program. Until benefit levels under public assistance reach a level of adequacy, the food stamp program should continue. In the present circumstances, considering the level of grants proposed, the food stamps are needed.

<sup>1</sup> National Conference of Catholic Charities Committee to Study the Report of the Advisory Council on Public Welfare.



### 3. *Questionable features*

In many instances, the levels of family assistance proposed in H.R. 14173 will be too low. While we concede that this program will substantially raise the levels of assistance in many States by providing a Federal floor, nevertheless we are concerned that so many families across the United States will only receive the basic Federal minimum grant plus a small State supplementation. For in order for a family of four to reach the current poverty level of \$3,500 per year, either one of the family must earn \$3,080 or there must be State supplementation of \$1,900, beyond the Federal floor of \$1,600. Consequently we are not sanguine that the program will drive poverty from our land.

The requirement that unemployed recipients of family assistance register for work or work-training seems, on balance, to be a good approach. However, the requirement of registration will not, in and of itself, insure the availability of employment. A strong manpower program sponsored by the Federal Government and involving both the public and private sectors is an absolute necessity in order to provide the amount of employment opportunities which will insure that all who are able to work can do so and can rise above their poverty.

The legislation requires that a person accept employment or training which is "suitable." We suggest that the Congress establish or mandate the establishment of clear and reasonable guidelines to determine suitability. Otherwise, the work features of the family assistance program can be subject to all sorts of abuses. For example, we are concerned about abuses arising either from the possible, though unintended, subsidization of substandard wages or from the inappropriate and unreasonable refusal by a beneficiary of referral to a job for which he is capable.

There is no feature of the family assistance legislation that we consider more questionable than the requirement that the mother in the family must register for work once the youngest child reaches the age of six—apparently even if the father is already working. The first obligation of a mother is to her family. She owes it to her family and to the society in which they live to fulfill as best she can her role as mother, as wife, and as woman clothed with human dignity. We regard as unconscionable any legislative proposal which would deprive the mother of a poor family of that same freedom of choice to fulfill her maternal role which she would have had if her family were not poor. Suitable standards to protect the family, human dignity, and human freedom of choice in this matter of working mothers have been developed in some States. And we would welcome the opportunity to submit additional testimony on this issue which is of grave concern to us.

### 4. *Social service*

We look forward to the promised comprehensive amendments on service programs. Yet, even in H.R. 14173 there necessarily is some treatment of the social service provisions of the public welfare program. These, too, must be carefully considered.

First, it is important to note that H.R. 14173 advances still further the separation of the provision of financial assistance from the provision of social services. This is basic to any structural reform of the welfare system. Each program has its own distinctive problems of delivery and requirements for personnel. While all beneficiaries need financial assistance, not all need social services, or at least not the same



types of social services. It is good to have two pieces of legislation, one for income maintenance and another (proposed) for services.

It is also important, in the area of services, to incorporate and implement the concept of fruitful partnership between the public and private sectors. H.R. 14173 recognizes this. In section 102, amending part C of title IV of the Social Security Act, the Secretary is directed to involve "all sectors of the economy and all levels of Government" in providing the manpower training and employment services and opportunities and to "make maximum use of existing manpower and manpower-related programs and agencies." (Part C, section 434.) Similar language is retained from the present section 402(a) (13) of title IV of the Social Security Act, wherein the States are required, in providing services to strengthen family life, to assure "maximum utilization of other agencies providing similar or related services." The Secretary is further authorized "to make grants to any public or private agency or organization" to assist in the "cost of projects for the provision of child welfare and related services." (Part C, section 437.) Such partnership arrangements should be articulated as a desirable part of our public social policy.

These provisions not only reflect the very desirable public-private relationship, but they also embrace the idea and practice of purchase of service which has been established so extensively in many States. The ability of the public agency to purchase services for welfare clients from private providers has proven very beneficial to these clients and has enabled welfare departments to extend services to clients beyond their own staff limitations.

Above and beyond the desirability of mobilizing the public and private sectors in a total approach to the resolution of our national problems, we respectfully submit that the Congress should encourage the principle of freedom of choice for each person which lies at the roots of this public-private partnership. Your honorable body has already looked at the health care needs of our citizens and has provided both for medicare and medicaid recipients the right freely to choose among standard-meeting providers of health services, whether public or private. Now we recommend that this right to freely choose social welfare services from public agencies or nonprofit private agencies be extended to those who already have that right for health services.

H.R. 14173 uses the term "child care services" (e.g., section 101, proposing to add section 447(c) and section 102, proposing to add section 430). In one place (section 430), the phrase seems to mean day-care services, while its meaning is unclear in the other. It would be well to provide a definition of these services.

The amended version of section 402(a) (15) acquires a new and surprising emphasis. There is reference to services provided by the staff of the State or local agency. In the present Social Security Act (section 402), there were several services mentioned, including family planning as one of them. In the proposed legislation, family planning stands alone. It seems to call upon the public assistance agency itself to provide family planning services. This is an inappropriate role for such agencies. They might become, in primary emphasis, family planning centers. If family planning services are requested by clients, they should be referred to an appropriate agency in accord with their personal convictions. The public assistance agency should not undertake to provide these services unless the person freely chooses

to seek them from that agency rather than from another community resource.

#### CONCLUSION

On behalf of the National Conference of Catholic Charities may I express our thanks for the opportunity to appear before the Committee on Ways and Means to offer testimony on this legislation. We support its basic purpose—to restructure the public social welfare program and make it a truly national system. On balance, the program can be made an excellent one if its deficiencies are eliminated. I have attempted to point out some of the deficiencies which our organization hopes you will correct. However, since we are still studying the text of the legislation, we would appreciate the opportunity to submit additional material in writing before your committee finishes its serious task. Finally, may I commend you for your efforts on behalf of all in our society and may I offer the assistance of our organization in whatever way you desire.

The CHAIRMAN. You will have that permission, Monsignor Head, to extend your discussion. The hearing probably will last until about November 10th, 13th, 14th, somewhere along there, it looks now. We probably allow for a week or two after that, so get it to us as quickly as you can.

Monsignor HEAD. I will, sir.

(The statement referred to was not available at time of printing.)

The CHAIRMAN. Mrs. Griffiths has some questions.

Mrs. GRIFFITHS. Monsignor, I would like to ask you a question. You have suggested that you oppose a woman with children under 6 being required to go to work.

Monsignor HEAD. Over 6.

Mrs. GRIFFITHS. But even the ones under 6. They are not going to be required to register or anything else. I would like to give you a case in my district. A woman wrote me last week who is making \$143 a week. Now, that is really quite high for a woman. That is a long way above the mean average. She has been a widow for 20 years. She has reared her child and put it through college and she is now rearing her dead sister's child. She is buying a very small home. \$40 of the money per week is removed from her paycheck to pay taxes but this does not pay tax, of course, on the home. She has to pay an additional \$260 a year in tax on the home. Yesterday I signed a letter to a woman who had previously inquired from my office. Her first inquiry was could we assist her in getting a man out of prison who she said was the father of one of her children. The second inquiry was could we see to it that she got more aid to dependent children. I checked. She was receiving \$543 a month in aid to dependent children on which she did not pay one penny of tax. She was buying a home that was far superior to the home of the woman who worked.

Now, I would like to ask you two things. One, do you think I am justified in saying to woman A, "You must pay more taxes so that woman B can make a free choice of whether she goes to work or stays home"? And, secondly, I would like to ask you, what kind of job would you have to offer woman B to get her to go to work? What could you do?

Monsignor HEAD. How old were the children and how many were there in the case of woman B?



Mrs. GRIFFITHS. I don't know about this. There must have been several children. But I might say that immediately after I signed the letter to the second woman she called my office and said her husband was now dead, a husband with whom she had not been living and what she wanted now was social security for the legitimate children.

Monsignor HEAD. Your question is how should you answer one or the other?

Mrs. GRIFFITHS. No; am I really justified in saying to the woman who works, "We would like to collect from you more taxes so you can support woman B."

Monsignor HEAD. I guess we all support woman B, but I do not understand how a woman receiving aid to dependent children would have resources to buy a home.

Mrs. GRIFFITHS. Oh, yes, they can do it now. You can pay on the house, and this is what she wanted, and I checked. She was buying the home with her son. She was supposed to pay half of it and they told me that they were letting her have \$85 for rent actually when her equity in the home amounted to only \$70 a month. This came from the welfare department. I am from Michigan and this is possible. She was buying a house.

I was at another committee just last week where a man in the building business pointed out to us that the average middle-class couple today buying into suburbia will be paying 55 percent of the husband's income just for housing and he said that is when the mother goes to work.

Now, why should some people be offered a choice at the expense of the rest of us?

Monsignor HEAD. I think it is very difficult for me in any depth and pointedly to answer this question. I would like to attempt to just make a few remarks. One, I think this whole program of aid to dependent children is a program for children rather than for the individual who is caring for them. It is basically the care for children and it is for this reason I asked you in the first instance how many children were involved to summon a grant of \$562, I believe you said.

Mrs. GRIFFITHS. \$543.

Monsignor HEAD. There must be a large number of children involved three, young children.

Mrs. GRIFFITHS. Not necessarily. They wouldn't have had to be young.

Monsignor HEAD. Up to 18 or 21 if they are going to college or school, but, by and large, I would say that traditionally here I would find myself saying that the intent of this legislation and the spirit and purpose in which it was written and, I think, carried out would aim at the needs of children and the right of a mother, the right of a mother to choose to stay home with her children, particularly if they are of school age and younger, in order to fulfill her responsibility to them as a mother in our way of life and in our society, so that they might receive the type of training and upbringing they have the right to. Because the father absconds or is dead or is in jail, I think perhaps, I don't only think perhaps but I know, it doesn't remove this right of the child. I am very conscious that there are many tax inequities on the single person who is working, who has assumed responsibilities such as this woman A has assumed, and I think that we also should look to alleviate those kinds of tax responsibilities and



to spread that responsibility further throughout the wage earners and the income-producing people in our society.

I am sorry that I can't speak more pointedly to it, but I do appreciate that it sometimes is a very difficult thing to face up to the situation.

Mrs. GRIFFITHS. Thank you.

The CHAIRMAN. Mr. Burke?

Mr. BURKE. Monsignor, with the problems of today and pointed at the young people in particular, I think your remarks are very important here because I think it strikes at the very nub of the problem that we have in many of our communities. I know back in Massachusetts we have some of our better communities where the wages are higher but the father and mother are both working and I have in mind in one community where the average income is around \$14,000 or \$15,000 a year and out of a population of approximately 25,000 people, 800 youngsters landed in court last year with serious charges of breaking and entering, armed robbery, possession of drugs, and similar charges of that nature, and this particular courthouse is located in my district and I happened in the court when some of these cases were called up and I did notice that there was an absence from the home of the mother and this, I believe, is one of the contributing factors to the problems of our young today and it is not only true in the poor home but it is also true in the well-to-do home, that the lack of parental supervision is one of the reasons why we are running into some of the problems today that society doesn't seem to cope with and apparently that is the whole target that you are hitting at here in recommending that the mother be given that choice of staying with the children and giving the maternal supervision that is almost necessary today. Is that true?

Monsignor HEAD. I do, Mr. Burke, and I also think that she should have the right to choose to go to work if she wishes to and if she feels it will improve the condition in the home, but still carry out her own maternal responsibilities to her children. I think there is room for working mothers in certain instances and I think they should work in certain instances, but I think there is room, also, for mothers to stay home with children, particularly young children of school age and younger, and I think a mother would have to have a serious reason for going out to work and not spending her full time to fulfill her responsibilities as a mother.

Mr. BURKE. Thank you.

The CHAIRMAN. Any further questions?

If not, again we thank you, Monsignor, for bringing your views to the committee.

Monsignor HEAD. Thank you very much.

The CHAIRMAN. Our next witness is the Honorable P. J. Page.

Mr. Page, we appreciate having you with us. We would like to have you identify yourself for our record.

**STATEMENT OF HON. P. J. PAGE, CHAIRMAN, STATE LEGISLATIVE COMMITTEE, PENNSYLVANIA STATE ASSOCIATION OF MAYORS; ACCOMPANIED BY LEO KOSTMAN, SOLICITOR; AND WILLIAM KNIGHT, PRESIDENT**

Mr. PAGE. Thank you, Mr. Chairman. My name is Peter J. Page, mayor of Bethel Park, Pa.

The CHAIRMAN. We are glad to have you with us, sir, and you are recognized.

Mr. PAGE. Thank you. To my left over here is our State solicitor of our mayors' association and to my right is Mayor William Knight, the president of our State association.

Mr. Chairman, we want to thank you for this opportunity to appear before you and to state some of the facts as we see them in our State association as mayors of our various communities. Many of the retired citizens are not so fortunate as to have savings accounts. Most have not.

Most work all of their lives to raise their families. Most had incomes just large enough to help pay for the necessities only. All of these people have helped to make our Nation the great Nation that we are.

Today they need the Nation's help and with that, I happen to have a statement we would like to read into the record and we are dwelling here in four areas. We are not going to take too much time. And so we will begin by saying today, more than ever before, the United States is taking bold strides in many areas—in the field of science, in our vast space programs, in our changing system of attitudes toward the world in which we live. Much of what we have known as our "way of life" is severely tested, and in some instances, is being found inadequate in light of today's needs. Our method of provisioning for, and administering the Federal insurance program known as social security is one such area of inadequacy. For some unknown reason, we still treat this plan, which is nothing more than a publicly operated, privately funded retirement program, as if it were simply another governmental dole, subject to the application of minimal concern and political expediency.

I think it is a generally recognized fact that partial revisions of the social security program can no longer be tolerated. If the plan is to function successfully for millions of our citizens dependent upon its benefits, a total restructuring must take place without further delay. The following data sets forth what is felt could be certain meaningful changes in the basic concept of the law. While they do not offer a utopian approach to the problem, consideration of these measures, by this committee, should at least provide a basis from which some answers may be found.

1. An immediate increase of 15 percent in existing benefits. There is little doubt that present benefits levels must be increased. Existing payments, in most cases, fail to provide even minimal subsistence standards. It is inconceivable to expect 25 million people, all totally dependent upon social security to exist on incomes at or near the poverty level. While an immediate increase of 15 percent in present benefits would by no means provide a complete answer to the problem, it would at least offer a more responsible approach to this need.

The Pennsylvania State Association of Mayors, the people it represents, and our Nation's citizens who now receive social security recognize that a 15 percent increase in existing benefits is necessary now. They do not concur with the administration's restrictive ceiling of 10 percent. They do not agree that such an increase will add to inflationary pressures. These people are totally disappointed and thoroughly confused by the President's recent pronouncement that he would veto any increase in excess of 10 percent. They feel, as do many of our country's leading economists and social experts, that a federally enforced poverty level cannot be tolerated. They feel, and rightly so,



that a 15 percent increase will not grant to each recipient an excess of disposable income; rather, it will serve to bring their meager existence more in line with their needs. In a great many cases, it will mean a very basic difference between an adequate existence, or life at a near starvation level.

2. A revision of the supplemental earning ceiling. At present a recipient of social security benefits can earn no more than \$1,680 annually without forfeiting a disproportionate share of those benefits. Such a restriction not only imposes a severe hardship on those able to supplement their retirement, but it also places them in the rather dubious position of accepting a federally enforced guardianship, one that offers a substandard subsistence with no opportunity to improve their lot. The net result legislates against individual initiative and self-reliance, at a time when such qualities could prove most valuable, both to the recipient and our Nation.

There is no basis, in theory or in fact, to the retention of such a grossly restrictive penalty feature. There are few conceivable reasons to penalize a man or woman who earns more than the present allowable ceiling \$1,680 yearly. Such a measure takes \$1 from the recipient for every \$2 he or she may earn, that is, over the \$1,680. It makes little social, moral, or economic sense to prod a group of people to expand their energies and utilize their time with pronouncements of usefulness, on one side, and to literally "pick their pockets" once they have attained a degree of usefulness.

A more practical approach would be to revise this penalty feature of the program to a ceiling level of at least \$4,800 before benefits would be adversely affected. Such a revision would enable the insured to maintain a better standard of existence, characteristics that are necessary but often lacking among our able-bodied senior citizens once their initiative has been removed.

3. A reduction in the tax-free age. Under the tenets of the present social security law, the recipient may earn all of which he is capable without forfeiture of benefits, once he has reached 72 years of age. I am certain that many of our citizens are more than able to support themselves at 72, or even at 82 years of age. Realistically, however, these people comprise a minority. It would be far more practical to allow the individual to begin such penalty-free earnings at age 65. We believe it should not go beyond the age of 68. At this age, a vast number of professional and management people who are forced to retire by company policy, could move into similar areas, and continue their productivity without interruption. It is absurd to retire a lifelong contributor to our society at 65 years of age, and then force him into further retirement, as mandated by the present law. If a man or woman is capable of subsidizing his social security benefits, he should not be penalized by virtue of this totally unjust measure.

4. One of the more critical benefits of social security, but one that, like the rest of the program, has been allowed to fall into a state of complete neglect, is the funeral and burial allowance. For many of the 25 million recipients, the present \$255—this is the top that they can receive—burial payment represents their total ability to pay the final costs involved in laying to rest themselves or their loved ones, many of these people don't have insurance. We have not been able to get to the bottom of this to find out just what the percentage is, but we know that many of these people just do not have insurance at all.



So \$255, well, doesn't quite make sense. In today's inflated economy, few burial arrangements can be made for less than \$800 to \$1,000. The present \$255 allowance simply resigns a portion of those people to the disgrace and humiliation of a pauper's grave. This amount must be increased for the sake of practicality and in the name of humanity.

We recommend here to this committee that this allowance should go up to at least \$600.

The Pennsylvania State Mayor's Association, acting in behalf of the 7 million people of Pennsylvania that it represents, is firmly convinced that actions of this committee cannot and must not be swayed by partisan politics, administrative pressure, or personal expediency. It must act swiftly, directly, and humanely to correct the tragic faults now found in our outdated and dangerously inadequate social security program. We realize that such far-reaching changes will not come overnight. We also realize, however, that a purpose of service to our senior citizens must arise from this committee.

It must overshadow any easy or piecemeal answers that may be found in simply patching the existing law. The time for total revision is long overdue. It must come now, for many of our senior citizens live in a now world—in many cases, tomorrow will be a day too late—I urge this committee to move in a way that will leave no doubt in the minds of these Americans as to whether or not our Nation cares. We believe they do. We feel sure that your actions will prove your concern.

Now, before I leave here, we have in the State of Pennsylvania, I think the figure, to be exact, is 973 mayors of borough associations. These communities range from 1,500, 2,000; my own community is approximately 40,000. It so happens that these people know us as mayors and we know them. They come to us with their problems.

This is one of the main problems that we decided to adopt here about two and a half years ago. And I want to tell one little story and I am going to leave the stand because our solicitor has a small statement he would like to make.

Two elderly women, nearly 74 years old, walked into my office here some time ago and they came to the point, two of the sweetest little old ladies I believe I have ever had the pleasure of meeting. They were hunchbacked, strictly on social security. Right away coming to the point they said, "Mr. Mayor, we miss a meal a day." I was somewhat surprised and I looked and I said, "Well, may I ask you why?"

"Yes, you may, and we will answer. We have to pay for medicare. It is \$4." For the two it was \$8. "We have to pay for Blue Cross and Blue Shield," a special 65, that special 65 and over. "We do not know when we are going to get sick so therefore we have to do this. Therefore this is why we miss a meal a day."

Well, it so happens we have a charitable organization and we wanted to help them out and they said, "No." They replied to me by stating "We are Americans. We have contributed to the welfare and the building of this Nation. We think the Federal Government should help us."

I concurred with them whole-heartedly. I don't know how much longer these two little old ladies are going to be with us. I hope they live to be a thousand. But they need help. And this can be multiplied

by many, many, many examples. I know you people here on this committee know what is going on.

I know you know the needs. You have heard this story so often that it is nothing new to you. We ask you in the name of Almighty God, please, and we know you will, do everything you can to help these senior citizens who are in dire need. They don't want welfare. They happen to have a lot of pride, like we do, all of us here, and all they want is a little help.

I thank you and now Mr. Kostman will make a short statement here if he may be permitted.

Mr. BURKE. All right. Please identify yourself for the record.

Mr. KOSTMAN. Yes, sir. Mr. Chairman and members of the committee, my name is Leo Kostman. I am solicitor to the Mayors' Association of Pennsylvania. This is a short discourse on the human side of social security. This elucidation is poised toward the human side of the aged. In the declining years after 65 the life expectancy is short and these American citizens, having made their contributions to their country, are entitled to their last fling at happiness—happiness in having sufficient funds for food, shelter, a vacation now and then, slipping an extra dollar to the grandchild or helping to pay for their college education, or making a little better gift to the newborn baby, or helping their sons and daughters, or being able to now and then make a contribution to their church or charity—the job of giving is most important to them at this time.

I purposely do not intend to bore you with statistics for I know that you are completely and adequately informed. I might say, however, that the cost of living has soared so high over the social security benefits that actually these older folks are now receiving less than before their previous raise in benefits.

For the homeowner, the local school, municipal and county taxes have risen so high that it is forcing these people to give up their homes, which took a lifetime to purchase, and move into low-cost housing if this is available. It is my position that these elders should be allowed to live comfortably in their social security years and keep their homes so that their sons and daughters and grandchildren and friends could and would visit them.

Idleness—being put out to pasture—oftentimes results in depression, physical and mental, for these people and if they would be allowed to work part time and earn up to \$4,800 a year all of these last pleasures would be available to them. This income of course would be subject to the payment of income tax. The know-how contribution of these workers would be invaluable to employers and should not be allowed to die—should be available.

It is, therefore, respectfully submitted to this committee that social security benefits should rise 15 percent and permitted earnings be \$4,800 per year at age 65. If these suggestions should be adopted by Congress, it would help stabilize the economy when needed for these people, for these people would spend this additional money. I am appreciative of the obligations of you Congressmen in determining priorities, but it appears to me that these people should be a top priority.

Most of the 65'ers are of the generation that began work in the 1920's have no pensions and are solely dependent upon social security and food stamps.



Medicare has been an effective and important development, now the next step is greater social security benefits and an increase in the permitted earning power. Old age and its accompanying physical and mental problems is sad, but when joined with poverty, it is pitiful.

I respectfully submit this and trust that your conclusions will be favorable to this position. If these realities have been told to you before, they are sufficiently important to bear repetition.

Thank you.

The CHAIRMAN. We appreciate very much, mayor, you and Mr. Kostman bringing these statements to us. This matter has been raised so many, many times, of the amount that a person receiving social security benefits can earn outside. You have made the recommendation that we raise the \$1,680 to \$4,800.

Mr. PAGE. Yes, sir.

The CHAIRMAN. That involves about seven-tenths of 1 percent of payroll or about  $\$2\frac{1}{4}$ ,  $\$2\frac{1}{2}$  billion.

Mr. CONABLE. I think it is closer to \$2.8 billion.

The CHAIRMAN. \$2.8 billion or whatever it is, but it is about seven-tenths of 1 percent of payroll. The committee could use that percent of payroll and that amount of money and add 7 percent across the board in increase in benefits to whatever figure the committee would otherwise adopt.

If the committee set out to have a ceiling of \$4,800 on earnings and a 15-percent across-the-board increase, you could leave your ceiling on outside earnings at the present level and convert the 15 percent into a 22-percent across-the-board increase.

Now, Mr. Mayor, you are in politics just like I am. Who is it that would be the first that we should think about? The individual who is incapable of work in actual retirement who can't supplement his earnings, or the person who could, if he wanted to, work full time, and as many, many people do beyond 65, and deprive themselves of social security benefits?

I have always thought that the first responsibility was with respect to those most in need and that would be the individuals who could not earn a dollar outside of social security, but so many people don't recognize that when you raise the outside earnings level, it costs as much as it does and I just want to put that in the record.

Your suggestion would be the equivalent of a 7 percent across-the-board increase in benefits and for myself, I would much rather use it for an increase in benefits across the board.

Mr. PAGE. Well, I agree with you, Mr. Chairman, I am in partial agreement, but here is the thing, and I am sure you folks on this committee and Congress as a whole have given it a lot of consideration. Assuming I draw \$100 a month social security, and I am allowed to earn \$1,680, which is \$130-some a month—

The CHAIRMAN. I believe it is, \$140.

Mr. PAGE. Whatever it figures out, and let's assume that I have a little home. I have to pay taxes, interest rates, high costs, everything is going up but nothing is coming down. If I quit when I earn \$1,680 then I don't have any funds. But if I am permitted to go—we have recommended \$4,800 but even if we were to permit these people, let's say \$3,000 or \$3,600, anything to help them because fear has paralyzed



a lot of these people simply because if they make \$2 over they lose a buck—

The CHAIRMAN. There is a great deal of misunderstanding, if you will pardon me for interrupting you, but a man can, who is already retired—this is an extreme example—during the months of January and February of 1970, make \$10,000 a month of \$20,000. All he would lose in the way of a social security benefit would be the social security benefits for the months of January and February, those 2 months. After earning that \$20,000 in the first 2 months of the year, he can resume drawing his social security check.

There are many people who think that it is the \$1,680 a year that is the test. It is actually the \$140 per month. That is the test.

Mr. PAGE. Yes.

The CHAIRMAN. So they could be half-time retired and half-time workers if they wanted to be or one-third retired and two-thirds working or just the reverse.

Mr. KOSTMAN. What they mayor is getting at, Mr. Chairman, is this: that the taxes and the cost of food and just general necessities wouldn't be sufficient if they had to rely strictly on social security and the \$1,680. That is not enough.

The CHAIRMAN. But the point is that 70 percent of people on social security have no other income and I think it is that 70 percent that we must think about because the cost of living is worse on them than it is on the individual who can make \$1,680 plus his social security or \$4,800, plus his social security. They are the ones that are in the greatest need of all, unless, of course, it is the person who is on welfare.

Mr. PAGE. You know, Mr. Chairman, what I am about to say I know you believe. We have checked many supermarkets and you know even hamburger used to be 39, 49, 59 cents and then it was full of fat. By the time you cooked it you lost about half of it. Now it is up to 79 cents. They are not buying it. They don't have the money. Then they went into wieners and then wieners got to going up and, you know, the whole thing doesn't make sense.

Anyhow, we want to take this opportunity to thank you. We appreciate your patience with us. In the name of the Heavenly Father, help us and help these people.

The CHAIRMAN. We are going to do that.

Mr. PAGE. We believe you.

The CHAIRMAN. We are going to do that, Mr. Mayor. Did you have some question, Mr. Conable?

Mr. CONABLE. I would hope as practical politicians, you gentlemen also know you are telling us in the name of the Heavenly Father, let's tax our wage earners an additional amount in order to do it. This group is not niggardly with its funds here in Congress, but as practical politicians, you know that we cannot simply be generous without also raising the money somewhere. I am a little surprised that a practical politician representing a group of practical politicians would come down here and give us a statement using the words "reality" and "common sense" and words of this sort, and not mention in any way the way in which we are supposed to raise the money that is to be used to benefit admittedly a very worthy class of people.

Mr. KOSTMAN. Mr. Congressman, our position is this: that even if the younger do have to pay a little more, these older folks, being substantially 25 million in number, and I don't know what number need this social security, their necessity and their priority in our life is that important that we are willing to risk increased taxes.

Raising taxes is secondary. You have to keep them living.

Mr. CONABLE. I am sure that you won't tell folks you came down here to Washington to advocate a tax increase.

Mr. KOSTMAN. Why not?

Mr. CONABLE. You will tell them you came down here to advocate a benefit increase.

Mr. KOSTMAN. No; we will tell them the whole story.

Mr. CONABLE. Fine. You haven't told the whole story to this committee but, you see, we do have to consider the other side also. Now, for instance, a 15-percent increase would be an additional \$2 billion beyond what a 10-percent increase would be and you understand therefore, that it would involve a greater increase in payroll taxes on your younger people too.

Now, I am not saying that this committee will go for one figure or another, but please be sure you understand the entire picture. You know that we can't simply produce benefits by printing money any more than you as mayor can do that.

Mr. KOSTMAN. That is right.

Mr. PAGE. That is right.

Mr. KOSTMAN. We know that.

Mr. CONABLE. You realize we have to balance the greatest good for the greatest number of people just as you do in your communities.

Mr. KOSTMAN. I think the American public today is fully informed that if they want additional benefits for additional services it has to come by way of increased taxes.

Mr. PAGE. There is no question about this statement and you are a million percent right, absolutely and positively.

But if it has to be, then these younger people that are young today that will be taxed a little bit more, one day, if the good Lord is willing to spare them, they too are going to hit the rolls and it will be to their benefit. So therefore, we had to pay whatever we had to pay and they will have to pay because everything is going up and nothing is coming down.

Mr. CONABLE. I understand the point you made also, about how people don't want to go on welfare, and that is a very legitimate point and the psychology of this is important, I agree. I think you must understand that the tax that finances social security benefits is regressive compared to our general income taxes in that it is collected first of all only from those who work and not from taxpayers generally.

Mr. PAGE. That is right.

Mr. CONABLE. Also that it is collected on a limited wage base and not from the entire wage base and therefore, it is not as fair a way of financing benefits for the aged as some program that would come from the general taxpayer.

Now, some people would come from that to the conclusion that we should chuck the whole social security system and go to a direct system of benefits financed out of the General Treasury. I think that you are going to have trouble though if you do that in your relationship with those people who have paid for years into social security on the

assumption that they were making an investment in their future and not just paying another tax.

So you must understand we have some philosophical questions here, not simply related to the generosity of this committee or of the Congress as a whole.

Mr. KOSTMAN. I noticed the other day in the New York Times that the budget of New York City is \$8.3 million, \$1.5 going for welfare, which in my opinion is disgraceful and it is a terrible problem for a city to have to put up with that kind of a situation and I think that is a problem of the Congress too, and I think President Nixon's program of trying to get people to work instead of being on welfare is vital and something should be done about it.

The CHAIRMAN. Our analysis of the situation, if you will pardon me, Mr. Conable, through the study made by the State welfare, HEW, and the General Accounting Office is that the numbers on AFDC in New York City during the period of 3 years, 1966, 1967, and 1968 more than doubled in numbers and that better than 10 percent of those receiving welfare payments were ineligible for welfare payments at a cost of about \$70 million a year, half to the city and State and half to the Federal Government. I think it is badly administered.

Mr. PAGE. Gentlemen, you have a problem on your hands and we wish you well and the best. You have a problem to wrestle with. We wish you all the luck in the world.

The CHAIRMAN. I think maybe you mayors have some problems too, and we wish you the best of luck with yours.

Mr. PAGE. Thank you very kindly, and thank you for permitting us to appear before you.

The CHAIRMAN. Thank you so much.

Our next witness is Mrs. Mendelson, who has been before the committee in the past. Mrs. Mendelson, if it is agreeable with you, would you let us go over and respond to this quorum call. You wait in the room and we will hear you and your entire statement.

We might have to interrupt you if we started now.

Just sit down there. We will be right back in just a few minutes.

(A brief recess was taken.)

Mr. BURKE (presiding). The committee will now hear Mrs. Mendelson. I wish to apologize for the delay, but quorum calls we have to answer.

**STATEMENT OF MRS. MARY ADELAIDE MENDELSON, IN BEHALF OF WELFARE FEDERATION OF CLEVELAND; AND WILLIAM HARPER, VICE CHAIRMAN, NURSING HOME COMMITTEE**

Mr. HARPER. Mr. Chairman, I am William Harper, director of public affairs for the East Ohio Gas Co. in Cleveland, a former special agent of the FBI, and I am here today in my capacity as vice chairman of the Nursing Home Committee of the Welfare Federation of Cleveland. The federation is a nonprofit organization whose function is to plan and coordinate the health and welfare efforts of both public and private agencies for the Metropolitan Cleveland area and several adjoining counties.

We have asked Mrs. Mendelson, our staff consultant, who has done the investigation for our committee, to present our testimony.



Mr. BURKE. Thank you.

Mrs. MENDELSON. Mr. Chairman, we are grateful for this opportunity to express to Congress the depth of our concern about the administration of the Federal nursing home program.

For our purposes we define the Federal nursing home program as inclusive of (1) direct money payments to patients under title I, (2) intermediate care provided under title XI, (3) medicare under title XVIII, and (4) medicaid under title XIX.

It is our conviction that the nursing home program, regardless of the title under which it falls, is so abysmally administered by the responsible levels of Government that the result evidences travesty on congressional intent, ignorance of basic necessary information, unenforced standards, outrageous waste of public money, and even corruption and fraud. As though this were not enough the grossly deficient administration of the nursing home program leads inevitably to visible, tragic signs of wantonly poor care.

Congress no doubt believed it was protecting the program when it insisted upon certain minimal standards regulating health care. (Congress has, for example, required the presence of a full-time RN in order to qualify a nursing home to furnish skilled nursing care.) Even the amount of money reimbursed nursing homes has increased throughout the country in the past years with some States assisted by the Federal matching formula paying reasonable costs. Yet, in spite of these purported improvements, a special Associated Press 5-day series by James Polk released in September 1969 described the horrors surrounding the nursing care being purveyed throughout the country. And in the same month, in two different Cleveland homes, one on medicare and the other on medicaid, two patients burned to death within 24 hours of one another. The confused stories which attempt to explain such disregard for life in the end furnish one fundamental explanation: a shortage of attendants—a device used to increase profits.

We have all heard the explanations for poor care and neglect roll easily from the lips of nursing home partisans. "Give us standards and give us money to pay for those standards and we will do the job," they say. But why then are even minimal standards not enforced? Why has a reasonable cost reimbursement formula led to little more than the building of newer, larger, carpeted facilities to furnish more people with the same poor care and neglect that accompanied the lower rates? The Nursing Home Committee of the Welfare Federation, observing the overt signs of a profitable business and the failure of Government to close homes in spite of numerous violations even of a serious nature, has concluded that the nursing home program is so poorly administered as to have encouraged irresponsible people to enter the nursing home business. So long as the administration of the program permits people to cheat willfully with public money, many of those in control of homes will see nothing morally wrong with watering the stew, cutting the number of attendants, failing to supply toilet paper or soap, padding costs for services not rendered, or enjoying kickbacks.

It is time to stop arguing about the standards and enforce what we have; time to stop crying that nursing homes are not making money and use wisely the money appropriated; and time to look

forthrightly at how Government actually administers its billion-dollar Federal tax-supported program.

At the Federal level, the picture indeed is discouraging. A single office in HEW, staffed with three people, has been expected to cope with the \$500 million medicaid program. There are so few Federal auditors that in Ohio they are still auditing 1966 Federal medical assistance payments; the audit sample is so small that it is virtually impossible to catch many of the numerous errors; and, we are told by our own State health department that those errors which are detected are frequently forgiven.

Nor does the administration of medicare fare any better. With the intermediaries in prime control of this \$350 million program, the social security office last year had only 10 investigators to check abuses in all of the social security programs throughout the country.

The situation is even graver in the area of money payments disbursed under title I directly to the patient at a nursing home address. No level of government appears to have exercised any responsibility to see that these payments are properly applied. As a result these direct money payments have provided an extra bonus of funds to the nursing home operator without fear of the snooping eyes of a medicaid auditor. These direct payments easily allow admitting more patients than the licensed capacity; and this enables patients to be placed in the home without any of the normal protections, such as medical review, or authorization prior to placement. Direct money payments are, in short, an easy way to duck even Government's minimal controls.

HEW has guardedly agreed that it is solely dependent upon the State agencies; and these agencies are in turn pressured by an industry which seeks a minimum of standards, with a maximum reimbursement, and as little enforcement of the minimum standards as possible. So in State after State one exposé follows upon another, some telling only of the human misery resulting from unenforced regulations, others hinting at the drain of public money for questioned services. Such reports have presently climaxed as a national scandal with an estimated loss of public money in the millions of dollars.

While the various administrative agencies argue over which one is responsible, and behave like silent partners, the nursing home operators sap the intent of the licensure regulations. They cut all corners to shave costs. Patient care is the forgotten part of the nursing home operation.

Not content with cost cutting as a method of increasing income, operators have devised methods of bilking the public directly by stealing a dollar here and a dollar there. There are instances, of course, where the amounts are significant. We know of one home, for example, where \$2,090 was paid for a patient after he left the home; and when the State was advised of the error and presumed to subtract a refund in that amount, it, in fact, sent the nursing home operator an additional \$2,090, a further error promptly overlooked by the enriched nursing home operator. This may be a rare case. In general, the amounts are seldom so much from any one source as to be easily uncovered, or, if found, to be considered a sufficient crime to warrant prosecution.

Like the numbers racket, a dime from this person and a dime from that hardly seems like much money, but added up it has amounted to billions. So with the nursing home racket, a small amount from this



patient, and some from another, adds up to the millions estimated as wasted. In one small nursing home in a single month 23 percent of the public money was, unbeknownst to the Government, obtained improperly but in such small amounts that, when detected, it could be considered bookkeeping errors. Not until the known total was added up did the true proportion of the loss come to light, and the potential for losses in the millions can be assessed only by adding up the seemingly insignificant dollars and cents.

We have here a number of printouts. These are transcripts of amounts paid under Government programs for patients in nursing homes. A review of these printouts will show some of the methods which have been used successfully in different homes to obtain public funds improperly. Although the selection of printouts to examine was random, each one reveals at least one error in payments.

What do the printouts disclose?

Money gained from unrevealed private resources belonging to the patient but claimed by the operator, such as understated social security pensions, payments never mentioned from families, private pensions and bank accounts unknown to the medicaid office—situations sometimes referred to in Ohio and in other States as “money under the table.”

Money, small in amount, for the patient's own personal expense never turned over to the patient—a common practice in many States.

Money accrued from retroactive social security widow's pension payments, sometimes amounting to several hundreds of dollars, not disclosed to the medicaid department.

Money, small individual amounts, stolen from the medicare insurance premiums sent by the State to the nursing home and never sent on to medicare.

Money accrued from medicaid per diem payments by falsifying the dates of discharge for patients.

Money in the form of lump sum veteran's pension and social security benefits, sometimes over a thousand dollars, drained off by a nursing home operator while public money continues to come for the patient.

Money from medicaid payments continuing to come for patients long since departed; and while such payments are often found and then ultimately returned, they amount at minimum to interest free loans from public funds to the nursing home.

Money from social security checks cashed after departure of the beneficiary.

In the case of medicare, the printouts disclose these facts:

The required \$50 deductible for medical insurance not being met before medicaid begins to absorb the coinsurance.

The required \$40 deductible for health insurance not paid for hospital stays.

Medicaid reimbursing for the extended care coinsurance without deduction for incomes from social security, pensions or money payment benefits.

Families billed for medicare coinsurance and deductibles when the bills are actually paid by medicaid—a practice mentioned in the California attorney general's expose on Medi-Cal malpractices.

Medicare and medicaid payments made to two purveyors of services—hospitals and nursing homes—for the same days of service for



the same patient—a practice occurring in Ohio even though unlawful, and similarly found in other States.

Medicare information on billings is treated as confidential, in some instances not even available to families. Thus, we have not had access to crucial information. What we have found is taken from medicaid sources and information from families subjected to double billings. Moreover, in the few instances where the intermediary has been cooperative, we have learned that medicare records and hospital records do not correspond; that doctors who have never seen the patient are reimbursed; and that extended care has covered physical therapy for days when patients were not present.

The printouts also disclose duplicate payments and payment for services not rendered:

Duplicate payments, a common complaint in other States where there have been investigations, made, for example, for ambulance trips which either are not taken or are billed for a trip at one time and rebilled again at a later date.

Duplicate payments to physicians made for the same date of service to the same patient.

A \$50 deductible paid more than once.

An independent laboratory being reimbursed in the thousands of dollars for services seemingly neither ordered nor used.

Drugs furnished to patients over a period of several years with no examination by a physician.

Drug billed for patients not even present in the home.

What about kickbacks?

We are not going to find kickbacks recorded on any official record. Nevertheless, kickbacks are talked of regularly as a common practice in Ohio as in other States. The printouts do disclose that a certain few drugstores are favored with a constant flow of business in spite of their distance from the homes being "serviced." We also note that certain few ambulance companies are similarly favored in spite of their distance from the home. There are records of different charges to different patients for the same length trip. It is also apparent that there are favorite nursing home physicians, or a particular independent laboratory servicing a great many nursing homes. These are conditions which suggest that what we have been told regarding kickbacks may well be true.

These findings form a rather impressive list of activities, few of which involve single losses of large numbers of dollars, easy to detect, but all of which together comprise a sizable sum of money accumulated for the vendors of services and not for the benefit of the patients.

While these assaults on the public's funds continue, where are the governmental administrators of the public dollars?

We have sought the answer through questions posed to HEW, relayed through the staffs of the House Ways and Means Committee and the House Subcommittee on Intergovernmental Relations. Responses from Secretary Cohen a year ago, and more recently from Secretary Finch, gave assurance the HEW is aware of the problems and shares our concern. Yet these assurances have not been evidenced in any concrete action.

Thus, in May, 1969, Secretary Finch described HEW's attitude by agreeing that the program under title XIX is a State-administered

program; and he added that "Federal financial participation in a State's program is dependent upon approval of the State's medical assistance plan as conforming to the outline of benefits and administrative provisions contained in the law. Each State is expected to carry out the terms of its plan in an economical and efficient manner." Our own investigation has demonstrated, we believe, that any expectation for the State's behavior remains only an expectation. There is presently no alternative but to watch helplessly the uneconomical waste and inefficient administration of millions of dollars.

In light of all we have learned, it is our hope, and recommendation, that:

1. Congress should demand that HEW view its role as more aggressive; that HEW, when convinced that the States are not carrying out the terms of their plans in an economical and efficient manner, take effective steps to protect Federal funds and the U.S. citizens who have been put away in nursing homes. It is about time that the Federal Government recognize the value of tax dollars and protect its citizens' lives by properly administering its multimillion-dollar nursing home programs.

2. The Federal Government should institute its own auditing system, one which includes a field audit, unannounced, at nursing home premises on a random basis to determine if care purchased is in fact being furnished, and is in fact the kind and quality needed.

3. HEW should require States and intermediaries to disregard bills submitted after a defined period of time. Under present practice a year or more may elapse before all services provided a medicaid recipient are known. No audit can catch the utilization of services under this policy.

4. Social security should tighten its surveillance policies when a recipient's address is the same as a nursing home. The nursing home population is unique: these are old, senile, confused people who cannot protect their own money; and a majority do not have families to help or protect them. By treating these citizens as though they were healthy 65-year-olds with a temporary disability, the Government has made it possible for the nursing home operators to develop a number of ways of taking their money.

5. The Federal Government should prohibit the use of the direct money payments, other than for personal expense money. There is no justification for this method of payment. We already have a system of vendor payments which recognizes the nature of the nursing home population and acknowledges that the Government is contracting for the purchase of care for persons physically, emotionally, mentally and financially unable to handle their own affairs. Full use of vendor payments would place direct accountability on the nursing home operator.

6. The Federal Government should view the transgressions of nursing home operators as indictable crimes. HEW must accumulate data and document facts so that the Justice Department can prosecute cases of alleged fraud. The present practice of requesting the State agency to investigate an alleged abuse after which the State agency, at best, requests a repayment of the money, has proved to be a total failure.

It is not a satisfactory solution to state, as Secretary Finch has to us, that "the Medical Services Administration and the Social Security Administration are not only fully aware of your concerns, but share them," and that "They have taken and will continue to take such steps,



within their authority, as are required to insure that the greatest protection is provided the individual." The evidence of abuse is too grievous and the financial loss too great to tolerate continued excuses. It is time for HEW to be given the necessary authority, or to be goaded into using the authority it denies possessing, so that the "greatest protection" will in fact be provided to the individual and, as well, to the taxpayer.

Thank you.

The CHAIRMAN. Mrs. Mendelson, all of us appreciate your coming back to the committee, I am sure, and making this statement. You have been very helpful to us in the past, calling these matters to our attention. Like you, I am concerned that they continue to exist. We did one thing in the 1967 amendments, you will recall. We did require the licensing of these nursing homes by the States. You remember that provision of the act?

Mrs. MENDELSON. Yes.

The CHAIRMAN. Have you observed whether or not that has been of any help at all in preventing some of these things that have occurred in the past or improving the care of the people?

Mrs. MENDELSON. Well, Mr. Chairman, are you speaking of licensing of the home or the licensing of the administrators?

The CHAIRMAN. Of the administrators.

Mrs. MENDELSON. I think we have run into an awful lot of trouble about the licensing of the administrators. I can speak for Ohio and I am told that this is happening in other States. In some States, such as Ohio, the State legislators have been convinced to kill the proposed legislation with the expectation that Congress will in fact remove that provision from the present social security law.

Where it has passed, it is my understanding that the boards are composed of a majority of nursing home operators which means that they are going to keep the requirements for licensing the administrators at a minimum.

Without having knowledge of all of the 50 States, I would say off-hand, I haven't heard that it has done any good.

The CHAIRMAN. It certainly hasn't in your State because——

Mrs. MENDELSON. It isn't even there. We are one of the States that killed it, as I believe did Tennessee, and so on.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. Prior to your arrival here, Mr. Chairman, Mrs. Mendelson mentioned some printouts there and I was wondering if these printouts were available for the staff study.

Mrs. MENDELSON. I can't leave them in which I presently have them.

Mr. BURKE. I don't mean to read them. I think you might have them ready for presentation to the staff.

Mrs. MENDELSON. The problem with them in their present form, Mr. Burke, is that they serve really no purpose unless they are somewhat interpreted. I mean, in other words, there are numbers——

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. BURKE (presiding). Have you any questions, Mr. Conable?

Mr. CONABLE. No.

Mr. BURKE. That concludes the hearing for today and the committee adjourns now to meet at 10 a.m. Friday morning.

(Whereupon, at 4 p.m. the committee adjourned to reconvene at 10 a.m., Friday, October 24, 1969.)





## SOCIAL SECURITY AND WELFARE PROPOSALS

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FRIDAY, OCTOBER 24, 1969

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
*Washington, D.C.*

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Our first witness this morning is Mr. Megel.

Mr. Megel?

### STATEMENT OF CARL J. MEGEL, DIRECTOR OF LEGISLATION, AMERICAN FEDERATION OF TEACHERS (AFL-CIO)

Mr. MEGEL. Thank you.

The CHAIRMAN. If you will identify yourself for our record by giving us your name, address, and capacity in which you appear, we will be glad to recognize you, sir.

Mr. MEGEL. Thank you, Mr. Chairman.

My name is Carl J. Megel. I am the legislative representative of the American Federation of Teachers, a national teachers union of more than 170,000 classroom teachers affiliated with the AFL-CIO.

Our organization embraces more than 800 teacher locals, including locals in Hawaii, Alaska, Canal Zone, the Department of Defense Overseas Dependent Schools and the Department of Interior Indian Schools.

The American Federation of Teachers exercises a great concern in the Social Security Act with particular emphasis on amendments for its improvement and its extension. It is evident that Congressmen, too, share this concern as evidenced by the large number of amendments which have been introduced during the first session of the 91st Congress.

Nationwide, more than 90 million persons will have earnings from work covered by social security in 1969. Moreover, more than \$2 billion is now being paid in social security benefits to some 23 million Americans. Nevertheless, several million workers, are ineligible to avail themselves of any social security benefits whatsoever.

The concern of the American Federation of Teachers is threefold:

First, to seek improvements for those teachers who are now covered by social security.

Second, to secure the benefits of medicare for those teachers who are not now covered by social security.

Third, to correct existing inequities in the present system.

(877)

First: Teachers now covered by social security: It must be remembered that the original Social Security Act excluded teachers from its provisions. After years of petitioning by many organizations including the American Federation of Teachers and the AFL-CIO, social security coverage was extended to teachers in the middle 1950's, nearly 20 years after the enactment of the original Social Security Act.

As a result of this extension, teachers in 37 States now participate in and share the benefits of social security. Certain of these teachers especially those teaching in the more affluent States have been granted State or local pension supplementation in addition to existing social security benefits. Unfortunately a number of States provide inadequate State or local pension supplementation with the result that social security becomes for these teachers in these States practically their total retirement program.

In spite of certain improvements, we have failed to provide sufficient retirement income to permit American teachers to enjoy the security and dignity to which they are entitled after a lifetime of work. The goal of our social security system should be to assure a standard of comfort, decency, and dignity in old age. Instead, there are thousands of retired teachers who today are living in abject poverty because their State or local pension systems were totally inadequate.

Accordingly, we support H.R. 14430 which provides two 20-percent across-the-board increases in social security benefits. The first increase would be effective January 1, 1970. The second increase would be effective January 1, 1972. Further, we support the minimum income increase and the merger of plan A and plan B of medicare as outlined in the proposal.

Teachers have found State legislators reluctant to grant increased State teacher benefits once teachers were provided with social security coverage. In many cases, cost-of-living increases not only have greatly exceeded any State teacher pension increases but have actually eaten into the existing pension incomes. For this reason, the 20-percent increase effective as of January 1970 constitutes little more than a catch-up program.

Additionally, under the present law minimum benefits are slightly more than \$80 per month. Yet, in 1915, a Civil War veteran received a pension of \$72 per month from the U.S. Government. The comparisons are quite obvious, and show the great need for upward adjustments at all levels.

We support the merger of plan A and plan B of medicare as outlined in the proposal. So doing would eliminate supplementary medical insurance premiums and provide for financing both hospital and medical insurance programs through contributions of employers, employees, and the self-employed, and a matching contribution by the Federal Government.

Second. Teachers not covered by social security: Our second concern relates to those teachers who are not now covered by social security. In many cases, the dilemma of these teachers is also shared by other public employees. There are at the present time 13 States enrolling more than 700,000 teachers who are not covered by social security. The States so affected are California, Colorado, Connecticut, Florida, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Mississippi, Nevada, Ohio, Rhode Island, and Puerto Rico. There are certain



specific reasons why the teachers in these States are not covered by social security.

It must be remembered that coverage under the Federal social security program for employees of the States and political subdivisions may be obtained only by means of voluntary agreements between the States and the Secretary of Health, Education, and Welfare. Moreover, the State legislature decides the amount of coverage, which group of employees are to be covered, when the coverage shall begin, and how it relates to existing pension systems.

Following the enactment of the amendment to the Social Security Act which made possible social security coverage for teachers, certain States repealed existing teacher pension laws and instituted social security instead. For many teachers, this meant considerable loss of previous State or local pension payments as well as a reduced retirement benefit since social security had now become their pension program. A few States supplemented the social security program with new State teacher pension laws. Even in so doing, the combined social security—State pension income for many of these teachers was less than the pension provided in other States where teachers were not covered by social security.

Accordingly, teachers in these States, fearful lest their State legislature would enact laws which could reduce their pension program, decided not to petition for social security coverage. In certain other States, the legislature has refused to pass the enabling legislation, even though the teacher had petitioned for social security coverage.

With the passage of medicare, teachers in these States found themselves at a great disadvantage since the Medicare Act specifies that only those persons who are under social security may qualify for medicare.

To correct the dilemma, the American Federation of Teachers supports H.R. 12473 introduced by Congressman Corman and many of his colleagues, all of whom represent States in which teachers are not now eligible for social security. H.R. 12473 makes possible medicare coverage for teachers and other public employees in those States in which such persons are now ineligible for social security benefits.

The bill permits the Secretary of Health, Education, and Welfare to enter into agreements with applicant States which include medicare coverage under teachers and public employees retirement systems. Initiative would be taken by the States to negotiate agreements with Health, Education, and Welfare to repay the Federal hospital insurance trust fund for payments made to retirees covered under appropriated State legislation.

The entitlement to benefits would begin in all cases on the first day of the month in which the individual became 65 years of age or retroactive on October 1, 1968, for persons previously retired.

My appeal for medicare coverage for teachers not now under social security is fortified by a supporting resolution, passed by the recent convention of the American Federation of Teachers.

Third. To correct existing inequities: Most States require automatic retirement for teachers upon attaining age 65. Low salaries during their prime earning years precluded any possibility for substantial savings from which investment income could be derived for a great majority of these teachers. Therefore, they must place major dependency upon their pensions and social security income. In the great

majority of cases, because of the increased cost of living, even this total is sufficient for existence only at the poverty level. As a result, a great majority of these teachers must seek additional compensation through employment.

The amount of money a person can earn in a year and still receive full social security benefits should be substantially updated. H.R. 14430 increases this amount from its present allowable \$1,680 to \$1,800, effective January 1970. This increase represents an insignificant \$10 per month. The amount should be increased to no less than \$4,000 per year, effective January 1970, in order to assure that a person will not suffer a reduction in social security income as a result of his being employed.

These employed teachers constantly complain about the injustice inherent in a retirement test applicable to income earned through work but not applied to income derived from other sources. As an individual who is eligible and has an income in excess of \$3,000—it might even be \$50,000—but not on earnings, is entitled to receive social security payments and is not required to pay the social security tax.

Of special irritation to teachers is the requirement to pay the social security tax if employed after age 65. The following illustration is an analogy which often occurs:

Mr. Smith and Mr. Jones, after years of teaching, at age 65 are retired under the automatic retirement provision of their school system. Each is eligible to draw \$4,000 per year from his local pension system. Each is eligible for \$150 per month from the Social Security Administration. Mr. Smith, for various reasons, has been able to accumulate funds so that he is not dependent upon additional earnings. Mr. Jones, on the other hand, must seek additional employment which pays him \$4,000 per year.

Mr. Smith draws \$4,000 per year pension plus \$1,800 per year social security, and pays no social security tax.

Mr. Jones, on the other hand, draws \$4,000 per year pension but forfeits the \$1,800 social security income—to which he is fully eligible—for the necessary privilege of working to earn another \$4,000 per year. Moreover, Mr. Jones is still required to pay the social security tax on the \$4,000 earnings on which he also pays Federal income tax.

Mr. Jones is penalized because he works to earn additional money, in comparison to the affluent individual who draws social security benefits. At least Mr. Jones or any other workers in similar cases should not be required to pay the social security tax after age 65. The injustice of the situation above mentioned is self-evident.

In considering social security improvements, we respectfully request the committee to give full consideration to the above-mentioned items. H.R. 14430 encompasses many other features which we endorse and support. These features include: (a) a cost of living index also found in H.R. 177; (b) drug benefits also found in H.R. 23; and (c) full payment for whole blood as also outlined in H.R. 10495.

We appreciate the opportunity to appear before this committee. We sincerely thank the chairman for the courtesy which he has extended to us in making this testimony possible.

The CHAIRMAN. Mr. Megel, we appreciate your coming to the committee and bringing us the views of your organization.

Let me ask a question, if I may, and it is only for information that I ask it. Just how would we work this matter of including people



under the medicare program who are not under social security? How would we tax them?

Mr. MEGEL. This would be an arrangement between the States and HEW.

The CHAIRMAN. You would have the same type of arrangement for this purpose that we provided initially for the cash benefit program?

Mr. MEGEL. That is correct.

The CHAIRMAN. I see.

Mr. MEGEL. It might be that in this program the annuitant would be required to make some payment. We wouldn't object to that.

The CHAIRMAN. We would have to do it, of course, if we included them because it wouldn't be fair for people to get that benefit without any payment.

Mr. MEGEL. That is right.

The CHAIRMAN. And others be required to pay for it.

Mr. MEGEL. And we support that.

The CHAIRMAN. You have answered my question. Fine.

Any further questions?

Thank you, Mr. Megel.

Mr. MEGEL. Thank you.

The CHAIRMAN. We are glad to have our colleague from California, the Honorable Phillip Burton, with us this morning. Mr. Burton served as a member of the Legislature of California. Were you chairman—

Mr. BURTON. Yes, sir; Mr. Chairman.

The CHAIRMAN (continuing). Of the committee that had to do with welfare?

Mr. BURTON. Yes, sir; social welfare, mental health.

The CHAIRMAN. You have always impressed me with your knowledge of the subject matter.

We are pleased to have you with us. You are recognized.

## STATEMENT OF HON. PHILLIP BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BURTON. Thank you, Mr. Chairman.

I have a number of points I would like to commend to the attention of the committee.

First of all, I have not prepared anything on the family assistance program. I am not sure how far along in the committee's thinking that proposition is. Therefore, I am not sure anything I might have to say at this time would be particularly of interest other than as a generalization.

I think the administration should be commended for having what I think is essentially as sound a format as any other that I have observed to get us out of this impossible and contradictory family welfare morass.

My testimony will be essentially addressed to the social security and adult assistance programs. To the extent I have not specifically mentioned a recommendation the assumption can be made that I support what the administration has recommended in both of those areas.

One, the first problem that occurs to me in the adult public assistance program is that in the event there is already an approved State



plan, that has somewhat broader eligibility standards, and most particularly I am thinking of the blind in our State, that if the administration recommendations are read literally it is conceivable that some of our blind recipients might be then disqualified. I am suggesting initially that in instances like I have cited where we already have State approved plans that recipients are not denied eligibility if their eligibility is based on standards somewhat more liberal than the national standards being suggested by the administration bill.

Second, the administration, for reasons that aren't clear, has recommended that the current provision permitting ignoring \$7.50 per month of outside income be deleted. That is going to create a great many problems in the States that are permitting their public assistance recipients to ignore this income. I think this proposal of the administration should be rejected.

In order to assure that some level of the increase in social security benefits is received by the adult public assistance recipients, rather than an offsetting dollar for dollar reduction, I think we should require the States to ignore \$20 of outside income.

The third point and the fourth point are really very important in terms of saving a lot of administrative duplication and waste. Whatever the date that is set for the social security increase, we should have a concurrent date set for the public assistance increase so the grant changes, whatever they are, are just made once. If the Congress should decide that there will be a retroactive payment to social security beneficiaries, then that retroactive payment should be ignored as income or resources for public assistance recipients. Otherwise, it would simply require every public welfare department in the country to go back and unscramble all their caseloads and adjust grants at considerable, unjustified, expense.

Fifth, if I recall correctly, the time has passed when we have automatically blanketed those persons under social security over the age of 65 into the medicare program. We still have the same kinds of people, although a smaller percentage, of those reaching 65 as we had at the time medicare was enacted, and I would think that that date should be moved up so that there is some additional blanketing in of those who are reaching or have reached age 65 but don't receive medicare because they are not under the basic social security plan.

Sixth, I would hope the committee would give serious consideration to permit, not require but permit, States to reduce from 65 to 60 the age under which Federal matching will be made available in the old age assistance program.

Seventh, the administration is to be commended for recommending for the first time in public assistance some kind of a floor. The floor is set at \$90, a recommended floor, and I really don't think that is adequate. I would have to have all the cost estimates in the various scales of minimums in order to be able to make the best judgment on this matter, but in any event, my suggestion is that the bill contain language which will guarantee every old, blind, and disabled person in the country \$150 a month, but this is on the assumption that the social security minimum will be \$100 a month. If the minimum, let us say, is \$80 a month under social security, then I would recommend that the committee have \$130 a month minimum combined social security and public assistance. I arrive at this figure this way: If you

have an \$80 social security minimum, then add the administration's proposal which commits itself to the first \$50 per month for public assistance adults. You add the two of them together and that is the new minimum you come up with. I would include for purposes of the minimum all social security and public assistance payments. I would not ignore any social security or public assistance payment for purpose of that minimum. The minimum should be what it says, not a minimum and then excluding income which really means you have a larger minimum that you are stating. I think you ought to make whatever judgment you should on the amount, but include all social security and all public assistance income in that yardstick.

Eight, the chairman very kindly, some 4 years ago, extended to the disabled person certain self-help provisions that were made available to the blind. As I recall, those provisions are only permitted to be effective for 3 years. As the members of the committee know, these so-called self-help provisions state in effect that someone with a little more by way of assets than one that is otherwise eligible can still participate if he is in a meaningful self-help and training program.

I would extend that 3 years for a longer period and I would have it be unlimited, provided we had a self-help educational or vocational training program.

The best example I can give of this would be a blind person or a postpolio person who starts college at the time that he gets his injury or disability. Right now at the end of 3 years if the assets of these people exceed what public assistance recipients have they are off of these self-help programs. If they want to go through the fourth year and even go on to law school, I would think we could draw it sufficiently narrowly to avoid abuse and permit them to stay on this program until they complete this course of self-help education or training.

Ninth, I might add parenthetically here a notion that I think the data would justify—I am not necessarily urging it at this time but I would like to restate it again this year. I am of the belief that the money spent to test out eligibility because of resources, because of assets, is by and large wasted money. I think we would save ourselves a good deal of time and overhead if we would look at income only. If one has meaningful resources these reserves will generate income. We insist on applying means tests when the tests in these income maintenance programs should be solely income, not means. If people have the means they are also going to have the income and they are not going to be eligible on either count. I would also ban the States from their current practice of assigning a value to "home occupancy," a procedure that, in effect, "charges a recipient rent" for living in his or her own home.

Tenth, I favor the more immediate increase in the social security taxable wage base with no reduction in the percentage of tax as applied against that base and with the obvious observation that the hospital and disability insurance trust funds have to be actuarially funded.

Eleventh, I fully support the administration's notion that there should be a cost-of-living feature in the social security bill. I believe the cost-of-living increases, if given, should be ignored by the States for purposes of income. Otherwise we will see the social security increased, the States reduce the grant and the recipients will be right



back where we started. I support the administration's notion of increasing the taxable wage base as it reflects an increase in wages in the country. I would start at a good deal higher figure right at once, something in the order of \$12,000 or more per year and have the wage base escalate from there. But, in any event, I favor both the concept of the escalating wage base and the concept of the cost-of-living recognition for social security beneficiaries. But if it is valid for them, it obviously has to be valid for the public assistance recipients that are not on social security.

Twelfth, I have some difference of opinion with the administration on their earnings provision. I would not permit unlimited earnings even though there is a partial dollar offset. I would set some kind of a ceiling on permitted earnings for social security beneficiaries. One yardstick that occurs to me is something related to the average annual income of those in the work force.

Thirteenth, there is one very special problem that the committee dealt with in part a few years ago that still lingers with us. I won't belabor it. But it is the problem of the low-income veteran and the blanketing in for payment. I believe it was the amendment of Senator Prouty. It was really a variant of Congressman Byrnes' position over the years. But the way the law is currently worded it does preclude some very low-income veterans because it approaches the veterans' program, and how it determines its payout, backward. I don't see the need to belabor that, but I can assure you that that is the way this current provision works.

Fourteenth, I have also recommended that favorable consideration be given to extending medicare down to the same age that we are paying our primary beneficiaries, the age of 60.

Three other very quick points. We had a very enthusiastic lady from our State representing the California League of Senior Citizens and she spoke in support of H.R. 1010 which I have introduced and I regret to say even at this fourth introduction of this bill it might be a little premature for the committee to consider all the recommendations in that modest and prudent proposal. It is a sound proposal, and someday I look forward to its approval. In rough outline, it provides as follows:

H.R. 1010 amends the Social Security Act to provide Federal supplementary cash payments to each person 62 years or older, plus the blind from age 16 and the disabled from age 18. These payments, providing a guaranteed minimum retirement income, will be made under the Noncontributory Section of the Social Security system. This minimum income will be pegged to the prevailing Federal minimum wage as set by the Fair Labor Standards Act. At the current minimum wage of \$1.60 per hour, and based on a 40-hour week, this amounts to about \$277 a month per person. Each recipient whose income, no matter from what source, falls below \$277 a month would receive the necessary supplementary payments to bring it up to the prevailing minimum standard. Applicants would go to their Social Security offices and establish their eligibility by providing proof of age or disability and the amount of their net income from all sources. This will be done by affidavit, subject to spot checks, thus eliminating the costly system of investigations, means tests and other invasions of privacy which now harass the elderly welfare recipient. The only "test" is the individual's net income. Payments to recipients will be made by check from Federal sources in the same manner as Social Security checks.

I do hope that some consideration will be given to the problem created for ministers when residences are made available to them



under certain circumstances which has a very negative effect on their social security eligibility.

There is one final point. I would recommend the committee either authorize the Secretary or themselves adopt the payment procedure in the administration's family program and extend it to the adults. Right now, the social security checks come from Washington to the person. Under the Administration's proposal they have, in effect, a \$50 commitment for everyone that is eligible for adult public assistance. I think we can reconcile these two concepts and adopt a simplified, national payment procedure for the adults. I would find a way of taking into account that which would be paid by social security, paying, if you will, to a third payment mechanism. Then add this \$50 commitment of the Administration, in whole or in part, depending upon what the rest of their income is to the extent that Congress decided there should be a minimum monthly guarantee. You would really find the effect of this would be to virtually put out of the adult public assistance business, with a few exceptions, most of the States and let them provide services with their welfare departments rather than whatever they do these days.

If there is any way to adopt a feasible family assistance plan with people of the age where it is inevitable there will be greatly varying earned income situations, it has to be a mortal cinch to do this for people who almost by definition have no change in their income pattern, to wit, the aged, and the blind, and the disabled. If that is a sound premise then I would suggest we take notice of it and simplify the payment process, and save much currently wasted administrative money. Really, this is a long step in the direction that I understand a number of the Governors have indicated they would like Congress to move.

I have no more to say, Mr. Chairman.

The CHAIRMAN. Mr. Burton, this last comment of yours is the opposite of the suggestion that some have made that we share our income with the States, is it not?

Mr. BURTON. Yes, sir.

The CHAIRMAN. It is sort of a reverse way to do it.

Mr. BURTON. This really has the effect of tax sharing because it would, to the extent you set the policy to do so, reduce current levels, anticipated levels of State expenditures, but it still gives the Congress control over some policy. If we, in the Congress, raise the money, we do have some responsibility to assert some policy control. To the extent the States save money in this area, it is their money to do with as they please. We are not mandating how they spend it, but we are making some national judgment on the first part of this aspect that we simply don't get in the tax sharing.

The CHAIRMAN. I think it is a very unique suggestion and very worthy of our consideration, Mr. Burton.

Are there any questions of Mr. Burton?

Mr. Burke?

Mr. BURKE. I wish to commend the gentleman from California for his excellent statement. I would like to ask him if it isn't true that it is rather demeaning to a lot of the elderly who are receiving social security to then have to supplement that check with a check of old-age assistance? They feel that they would rather receive a social security

increase and take them out of that category. I know in Massachusetts—I don't know whether it is true in California or not—there are thousands of social security recipients who are living on checks of \$70 or \$80 a month and because of their pride, because they don't want to apply through the welfare department for old-age assistance, they refrain from doing this. These elderly people are suffering undue hardship and it would be far better if the Federal Government could step in and bring the social security check up high enough to prevent this type of situation.

Is the gentleman in agreement with that?

MR. BURTON. Yes, with the caveat that with respect to any unearned increases in minimums or what-have-you I would hope that we would recognize that that is an unearned increase and we would make that a general fund obligation, and I would hope the general fund at some point would repay to the trust fund any of these so-called unearned increases. That is one way to proceed.

It may well be the better way to proceed in this. All I am really asking for is we proceed to deal directly to whatever extent we decide as a national policy people should have their incomes protected, particularly if almost by definition they are no longer able to provide themselves with self-support. Stripping everything I have said down, that is all I have said. Let us decide what level of income we think people who can't work (aged, blind, and disabled) should have and let's approach it in a straightforward way without all of these absurd and very costly trappings.

MR. BURKE. It is true, is it not, that the Federal Government is now contributing, I believe, on an average throughout the Nation about 50 percent toward these old-age assistance funds?

MR. BURTON. It is higher than that.

MR. BURKE. It varies State to State, and I think it will average out a little over 50 percent, possibly. But if the Federal Government is making that contribution certainly there would be no harm in changing it around so that this could be done through social security, and I have in mind legislation that I have filed calling for a change in the formula for the collection of social security taxes. Instead of having 50 percent come from the employer and 50 percent from the employee, this legislation would have one-third come from the employer, one-third from the employee, and one-third from the Federal Government. This would relieve the States of the burden of old-age assistance—take over the whole matter—and also take the elderly out of the category of applying for old-age assistance when actually they have made their contribution to this country.

MR. BURTON. I think as a general point there is a limit to how much of a burden the payroll tax should be forced to sustain. It may be premature that we talk about tripartite financing. I wouldn't be surprised we may end up there some day, but without making a judgment on the desirability of tripartite financing—at a very minimum, if the bill provides unearned increases, although needed, it should be recognized as a general fund, not a trust fund, obligation, and that at least relieves some of the pressure or the burden on the taxable wage base.

Thank you very much, Mr. Chairman.

MR. BURKE. Just a minute.



Mr. BURTON. Yes, sir.

Mr. BURKE. I don't want to let you go too soon because you are so well informed on the subject.

It is true that the social security burden is being weighted down with additional amendments every year. This is increasing the cost of social security and the question is, Who should carry part of this burden? The Federal Government does use these trust funds. As I pointed out in the hearing the other day, when the Government borrows from the trust fund it doesn't pay back to the trust fund the going interest rate. It is based on the outstanding indebtedness.

Mr. BURTON. That is a very important point.

Mr. BURKE. Actually the elderly are subsidizing the operation of the Government. The employer and the employee funds that they pay into are being used for the operation of the Government, and I think that there is an obligation on the part of the Federal Government to make some contribution, and possibly it might be the changing of this formula of collection of taxes, so as not put the whole burden onto the employer and employee.

Mr. BURTON. Let me make this one final observation because I am sure the Chair has a good many witnesses that still have to be heard.

There is nothing magic about the wage base being the source of revenue. A wage base is irrelevant to profit. Taxes are derived from profits. In the long run deriving revenue from profits is more useful from a more arbitrary thing called a wage base which may or may not be relevant in any respect to profit. This is particularly true of the labor intensive kind of industries who pay proportionately an unfair share into this trust fund and the highly mechanized counterparts—they are not competitors but counterparts in the sense that they are all in business to earn a profit—don't come into this part of the act, so I have been of the notion, because I think this also affects trade, the more you load onto the absolute cost of doing business, the more you exacerbate a number of things, including our trade picture. The more we look to the notion that, let's look at the fruits of a profitable business, if they are making a profit we can get it from that end, but to put the burden before they even start making a profit, you know, that is part of the disparity in imports and all the rest, and at some point in time you gentlemen will have to come to grips with that Gordian knot. I don't pretend to be equipped to be able to know the solution to that.

Thank you very much.

The CHAIRMAN. One interesting point, Mr. Burton, before you leave.

The administration's recommendations, on page 65 of the bill introduced by Mr. Byrnes and others, beginning on line 21, and section 1605 provide the Secretary with authority to enter into agreements with the States to make one payment from the Federal Government with the State then reimbursing the Federal Government for its part of whatever the cost of these payments to the aged, the blind, and disabled might be.

Mr. BURTON. I think that is a very sound suggestion. Rather than the State reimbursing, you could probably find a simple mechanism. You could work out something where the States don't have to send it back to us and we have this double and triple bookkeeping. We could have an offsetting kind of thing, where it may be a little more simplified than the administration proposal. I think that is as useful.



My proposal is two steps beyond that. The second step would be authorizing the Secretary to do it if he chooses and the third step would be to have Congress establish a mechanism for this to be done where then the check from Washington would be the income, and the State agencies in a State like mine would add to it a little bit.

In States like Mississippi, they would be out of the adult welfare business because the level of payments would be higher than that they provide and they could either put on different jobs the people they currently have on welfare administration—and we pay 50 to 75 percent of those payrolls—or they could have these same people provide services to the public assistance recipients. Right now they are spending all their time just seeing if they are eligible.

The CHAIRMAN. Thank you very much, Mr. Burton, for coming to the committee.

Mr. BURTON. Thank you.

The CHAIRMAN. Mr. Vickers.

Mr. Vickers, if you will identify yourself for the record, we will be glad to recognize you, sir.

#### **STATEMENT OF ROBERT R. VICKERS, PLANNING CONSULTANT, BAY AREA (CALIFORNIA) SOCIAL PLANNING COUNCIL**

Mr. VICKERS. Mr. Chairman, members of the committee, I am Robert R. Vickers, a planning consultant with the Bay Area Social Planning Council (BASPC) headquartered in Oakland, Calif., and serving the five San Francisco Bay area counties of Alameda, Contra Costa, Marin, San Francisco, and San Mateo. The council is a private, nonprofit corporation conducting planning, coordination, and research in the health and welfare field.

I have been asked by Mr. Thomas G. McGuire, vice chairman, Industrial Indemnity Co., and chairman of our board of directors' implementation committee on public assistance, to express his regrets for not being able to appear before you to present our organization's position on public assistance. Copies of the board's position paper are attached to our written testimony. In Mr. McGuire's behalf, I will briefly indicate how we see the President's recent welfare proposal.

The Bay Area Social Planning Council's position statement is based on a 2-year study conducted by an ad hoc committee appointed by the board and composed of bankers, corporate executives, and other business and professional leaders. They are listed in the position paper. The recommendations were adopted by the board of directors on January 7, 1969, as the organization's position on public assistance. The BASPC board of directors is now committed to implementing those recommendations.

Our purpose in appearing before you today is to provide you with our views on key segments of the welfare proposal before you. A comparison of our position paper with the proposed legislation will show that some aspects of the President's proposal coincide with our recommendations and some fall short of the changes we believe are necessary to improve the system.

## POINTS OF AGREEMENT

First, I will review those ideas that are in accord with the organization's position:

1. Inclusion of "working poor": The President proposes expanding the present welfare programs to include the "working poor." This is in accord with our recommendation that assistance be provided to persons on the basis of need. By including the "working poor," the President's proposal would fill one of the present gaps in the welfare system.

2. Minimum level of assistance: The proposed program would create a floor or minimum level of assistance which would be mandatory in all States. Such a change would provide more consistency throughout the country in the level of assistance provided.

3. Simplification of eligibility procedures: The President proposes a simplification of eligibility procedures along the lines of a client declaration which would be verified on a sampling basis. Simplified methods of eligibility would certainly lead to a greater efficiency and simplification of a complicated system.

4. State-Federal Partnership: Finally, the proposed assumption, by the Federal Government, of responsibility for the financing and administration of a new program of assistance to families with no income or low income is in a direction consistent with BASPC's position that the total public-assistance program should be financed and administered by the State and Federal governments, thus relieving lower jurisdictions of the necessity to raise public-assistance dollars from a property-tax base and to administer AFDC programs under a multiplicity of Federal and State regulations.

## POINTS OF DISAGREEMENT

On the other hand, the President's program does not coincide with our recommendations in the following areas:

1. Elimination of Categorical Assistance: The President's proposed program in no way eliminates categorical assistance. The major thrust of his program is in the area of aid to families with dependent children and in essence expands that program. Our recommendation is that assistance be given on the basis of human need and not artificial categories of disability and circumstance.

2. Uniform Benefits: The President's proposed program, although moving in the direction of uniform benefits, falls far short of bringing about a standard level of assistance throughout the United States. There will still be wide discrepancies between States in the amount of benefits provided.

3. Standard Benefits: The President's proposed program would maintain the different standards of assistance between categories. There is no indication in the legislation that a standard level of aid between categories would be established. We recommend one level of aid.

4. Transfer of Responsibility for Those on General Assistance: The President's proposal does not deal with those persons who are married without children, or single adults who are not aged or disabled. This means that local county governments, at least in California, will con-



tinue to be responsible for the category of aid known as general assistance.

A key element of the President's plan is, of course, expanded job training and employment. Our study, although not making specific recommendations in this area, pointed to the difficulty of evaluating the employability of a given individual. Our committee's finding was that such a determination must take into account factors other than the individual's medical condition. In the President's plan, it is not clear what specific criteria will be used to determine employability among those who are required to accept training and/or work.

#### SUMMARY

In summary, the President's proposal takes an important step in the direction of standardized benefits, simplified eligibility requirements, Federal assumption of fiscal responsibility for expansion of the AFDC program to persons in need but presently ineligible, and expanded job training and employment. It does not, on the other hand, eliminate categorical assistance, standardize aid between States or categories of aid, deal with the general assistance category, or define the criteria for employability.

Thank you.

The CHAIRMAN. Without objection, the material appended to your statement will appear in the record at this point.

(The material referred to follows:)

#### LOW-INCOME FAMILIES

##### A POSITION PAPER ON ASSISTANCE, BAY AREA SOCIAL PLANNING COUNCIL

#### FOREWORD

For the past two years, the Bay Area Social Planning Council has been studying the plight of low income families ineligible for Public Assistance. A special Committee, headed by Alger J. Jacobs, Senior Vice President, Crocker-Citizens National Bank, submitted a report to the Board of Directors in January of 1969, which outlines BASPC's position with regards to certain welfare reforms.

The purpose of this document is:

1. To present the changes in the present welfare system recommended by BASPC as a result of its two-year study.

2. To provide the rationale for the changes recommended.

The full report and recommendations entitled "The Low Income Family Ineligible for Public Assistance" can be made available to those interested in the background material.

#### POSITION PAPER

##### DEFINITION OF PROBLEM

The present Public Assistance system has been in operation for over 30 years. The depression of the 30s brought the realization to the people that some people, through no fault of their own, must be supported and provided for by the rest of the people on a national scale. This principle has remained through prosperity and recession, and through conservative and liberal administration. The questions that have been debated have always been "Who should be supported?" and "How well shall they be supported?"

The present system has evolved because of the debate over "Who should be supported?" It has been established in law that those children who are deprived of a parent to provide for them should be supported under Aid for Dependent Children; persons too old to work should be supported under Old Age Security; persons who are too disabled to work should be supported under Aid for Totally Disabled; and the people too blind to work should be supported under Aid for



the Blind. This debate over "who" continues because many persons in need do not fit into the categories, although equally needy. These individuals were the focus of our study. Attempts have been made to broaden coverage for other persons within our society who are no less needy, but always on a categorical basis.

The second question, "How well shall they be supported?" has also continued to be debated. The present Public Assistance payment falls well below the poverty level. The national average assistance payment provides little more than one-half and in some states, one-fourth of the amount required for basic subsistence.

Few are satisfied with the present welfare system. The recipients, the taxpayers, the liberal and conservatives have all proposed that the present system be changed. The report of the Advisory Council on Public Welfare in June of 1966, on the federal level, and the Assembly Committee on Social Welfare study in February 1969, on the state level, both recommended basic changes in the present system.

#### RECOMMENDATIONS

The following recommendations were formulated over a two-year period by a BASPC Committee which was asked: "To examine the patterns of denials of assistance to persons applying for Public Assistance . . . in the five Bay Area counties . . ., to identify persons presently ineligible for Public Assistance . . . who have essentially the same needs and problems as those receiving assistance." The Committee was composed of the following individuals:

Alger J. Jacobs (Chairman)	Byron W. Leydecker
Senior Vice President	President
Crocker-Citizens National Bank	Redwood National Bank
Mrs. Robert T. Adams	Robert B. Shetterly
Thomas L. Berkley	President
Attorney	The Clorox Company
Berkley, Randall & Harvey	Mrs. Daniel Winters
Donald R. Hopkins	Mr. Jean C. Witter
Assistant to Executive Vice Chancellor	Senior Partner
University of California	Dean Witter & Company

Their recommendations were as follows:

#### *Recommendation I*

That the total Public Assistance program, including General Assistance, be administered by the State of California and financed exclusively by state and federal funds.

#### *Recommendation II*

That a single system of aid be established by the federal government with one standard of eligibility (human need) and one system of benefits based on up-to-date regional cost of living index.

#### *Rationale for Recommendation I*

Under the federal Social Security Act, each state has the option of administering the Public Assistance program directly through a state department of welfare (state administration) or by delegating the administrative responsibility to local sub-units (local administration). The Public Assistance program, in 29 of the 50 states, is state administered. California is one of 21 states that is classified as having locally administered, state supervised Public Assistance. Local administration of Public Assistance in California, however, has resulted in several serious problems.

1. *Administrative Duplication.*—The system of local administration with state supervision results in considerable administrative duplication. There are 58 separate administrative structures, one in each county and a 59th to supervise the others. Hiring standards and procedures vary from county to county, with most counties developing their own systems of recruitment, testing and hiring. The State of California has established a state merit system examination board which is designed to fill the recruitment and examining function but many of the local welfare departments do not use the state system. Each county is required by regulations to provide a training program for new and continuing staff. Here again, the state has developed a central induction program but it has not been utilized fully by the counties.

With 58 county welfare departments, there has not been developed a state central register or file for maintaining central records and information regarding clients. At the present time, if a client moves from one county to another, certain of the records are duplicated and forwarded on the same client. With the mobility of welfare clients, this results in duplication of records and inefficient services. A central, computerized system could also reduce the possibility of a client fraudulently applying for assistance in more than one county at the same time.

2. *Inequity in Benefits.*—Another problem that results from the maintenance of 58 county welfare departments is the inequity in the amount of assistance provided. For example, a client in Marin County under the same circumstances as a client in San Francisco County could receive different benefits. The reason for this is as follows: the State of California has developed a cost schedule which sets forth a budgeted amount of money for each category of assistance. This cost schedule is at a minimum subsistence level. The state and federal government then provide monies to the county up to what is called a Maximum Participating Base. This base is lower than the cost schedule in the AFDC program. In theory, the county is then expected to supplement with county funds up to the cost schedule amount. Most of the counties in California do not provide this supplemental amount to bring the welfare recipients' income to the subsistence level. Some counties provide what are called Special Needs Allowances from county funds to make available to clients clothing for school children, refrigerators, transportation monies, or other items that the county has decided can be made available on a special request.

There is even a greater variation between counties in the administration of the General Assistance program. This program is designed to provide assistance to those not eligible for one of the categorical aid programs. The requirements for this program are designed, administered and financed by the local board of supervisors. County residence for a stated period of time is required in most counties. The amount of money given to clients in this category is not standard throughout the state nor are the eligibility requirements. The average General Assistance grant in the Bay Area for the year ending June 1966, varies from \$49.72 for a single person in Alameda County, to \$106.65 for a single person in Marin County. Variations in other parts of California are equally significant. In both categorical assistance and General Assistance there is great discrepancy in benefits between counties.

3. *Inequitable Taxation.*—The third problem related to the local administration and state supervision of Public Assistance relates to local taxation. Under this system in California, the county property tax base is one of the three sources of funds used in the Public Assistance program. Similar to the inequity in distribution of assistance, there is also an inequity resultant from the use of this taxation base. The tax payers in one county are contributing more towards Public Assistance programs than tax payers in another county. This can be demonstrated in several ways. The first way is a comparison of the percentage of the welfare budget that comes from county funds. In the fiscal year ending June 30, 1969, in the Aid to Families with Dependent Children category, the percentages of county funds in this program were as follows in the Bay Area counties: Alameda County—17.1 percent county funds; Contra Costa County—18.1 percent county funds; Marin County—27.5 percent county funds; San Francisco County—22.1 percent county funds; and San Mateo County—16.1 percent county funds. This differential in the percent of the total expenditure related to county funds is the result of some counties paying the aforementioned supplemental allowance and/or the special needs allowances that are authorized within each county. A second way of evaluating the differential assessment on the tax payers from one county to another is to look at the absolute number of dollars spent in the General Assistance category by counties. The following figures include the supplemental amounts for the categorical assistance programs and the General Assistance category for the year ending June 30, 1969. In the Bay Area they are as follows: Alameda County—\$809,677; Contra Costa County—\$685,374; Marin County—\$242,483; San Francisco County—\$4,267,362; and San Mateo County—\$719,823. These figures indicate, for example, that even though Alameda County is significantly larger in population than San Francisco County, the expenditure of county funds for Public Assistance is more than five times greater in San Francisco. Thus, a greater tax burden on the San Francisco tax payer.

In general, the local county property tax base had been over-used as a taxing source. Throughout the country, school districts and other locally funded public programs are having financial difficulty. From a fiscal taxation point of view,



the county with the property tax base is not as flexible or equitable as the state with its several sources of revenue.

Therefore, the BASPC has concluded that "the total Public Assistance program, including General Assistance, be administered by the State of California and financed exclusively by state and federal funds."

#### *Rationale for Recommendation II*

The present Public Assistance program has five categorical assistance programs, each with its own eligibility requirement and schedule of benefits. The study of the low income families denied Public Assistance revealed three basic deficiencies in the present categorical system.

1. *Eligibility by Category.*—As discussed earlier, the categorical system has evolved from the "who should be supported?" debate. In the analysis of 637 persons in San Francisco and Alameda counties who did not fit one of the five categories, many were equally needy but technically ineligible. Some were not disabled enough for Aid to the Totally Disabled, but too disabled to work; some were not old enough for Old Age Security but too old to find employment; some children had parents who had too much money for Aid to Dependent Children but not enough to provide adequate care for them. These were the individuals in the present system who did not fit the program but were obviously in need of assistance at the time of application. Six months later, 112 of the 637 denied had reapplied and 94 were actually receiving aid.

2. *Differences in Benefits by Category.*—A welfare recipient receives Public Assistance benefits which are set for the particular program under which he has proved his eligibility. To illustrate the inequities between categories, the amount an individual is allowed for food, transportation, clothing and personal and incidentals are shown below for each category.

COMPARISON OF PUBLIC ASSISTANCE NEED STANDARDS

	Adult blind recipient	OAS recipient	Adult disabled recipient	Adult female AFDC recipient
Food.....	\$41.00	\$39.00	\$35.00	\$26.50
Clothing.....	12.50	11.50	9.50	10.85
Transportation.....	12.00	8.00	6.00	1.00
Personal and incidentals.....	15.00	14.00	8.00	2.40

The Advisory Council on Public Welfare stated as follows:

"Many of the most destitute are barred from receiving assistance because of limiting requirements for groups that are included and because of lack of federal provisions for other groups of needy people. Some needy are not aided by Public Assistance programs available under federal law because the state in which they reside does not participate in the program. In only 21 out of 54 jurisdictions is federal aid available to families in need because a parent is unemployed."

3. *Perpetuation of Poverty.*—The amount of money available to the individual or family on Public Assistance is seriously inadequate in terms of present day living costs. The shelter allowance for families on AFDC ranges from \$45 per month for a mother with one child to \$73 per month for a family of ten. A couple with four children is expected to find housing in the Bay Area for \$61 per month.

The total assistance payment in all categories is well below the poverty level. This means that the aged, the disabled, the blind and the dependent children of our society who are unable to provide for themselves are destined to a life of poverty.

The above evidence has led the Bay Area Social Planning Council to recommend the following: "That a single system of aid be established by the federal government with one standard of eligibility (human need) and one system of benefits based on up-to-date regional cost of living index."

Mr. VICKERS. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any questions of Mr. Vickers? If not, we thank you, Mr. Vickers, for coming to the committee.

Mr. VICKERS. Thank you.

The CHAIRMAN. Dean Dumpson.



If you will identify yourself for our record by giving us your name, address, and capacity in which you appear, we will be glad to recognize you.

**STATEMENT OF DEAN JAMES R. DUMPSON, CHAIRMAN OF THE BOARD, CITIZENS COMMITTEE FOR CHILDREN OF NEW YORK**

Mr. DUMPSON. Thank you, Mr. Chairman.

I am James R. Dumpson, dean of the Fordham University School of Social Work.

Although several of you know me in my former capacity as New York City Welfare Commissioner and my present capacity as dean of the School of Social Work at Fordham University, I speak here today as the board chairman of the Citizens' Committee for Children of New York.

As you perhaps know, this committee, now celebrating its 25th year, consists of an active group of laymen and professionals dedicated to the sound development of our children. Working actively in the fields of education, medical care, welfare, children's rights, and related areas, we conduct programs of investigation and research, report to the larger community on issues as they affect children and urge sound public provision and policy. It is in this capacity, therefore, that I appear before you today.

The Citizens' Committee for Children has been concerned with public assistance and related social services since it was founded right after World War II. In recent years, exploring ways of providing children and their families with the money needed to assure healthy and sound development, we have become particularly interested in the issue of children's allowances, a subject to which I shall return later.

The proposed Family Assistance Act of 1969 breaks important new ground.

**A MINIMUM INCOME**

We are delighted with those aspects of the family assistance plan which clearly define Federal responsibility in guaranteeing a national minimum of income for dependent families and their children. While we believe that this does not go far enough, it represents an important beginning which deserves applause and support. As indicated by Secretary Finch when he testified before you on October 15, the system with which we have long tried to manage is completely inadequate and must be changed. He added "adequate income support, where it is necessary, is one of the measurements of a just and humane civilization." We believe that if the Congress passes this legislation and provides a clearer right to a minimum of maintenance than has ever been declared in our assistance legislation, we will have moved a step further toward a "just and humane" civilization, particularly if we increase the benefit level, as we urge you to do.

**INCREASED SUPPLEMENT FOR WORKING POOR**

Similarly, it is a major step forward to provide Federal help for families of the working poor. Whereas we in New York City offer income supplementation to a family headed by an employed father whose

income is below the public assistance level, only 25 of the 54 State and territorial jurisdictions have such provision in their general assistance legislation. Since the wage system does not take account of family size, it is a humane act, a civilized act, to make more adequate provision for the 2 to 3 million families involved.

#### WORK INCENTIVES

We also applaud the offer of an allowance for the necessary expenses of an assistance recipient who is employed and the considerable work incentives for people as their earnings gradually increase above the level of the financial guarantee.

Of course, questions may be raised about a 50 percent rate of taxation of earnings above the minimum, but we do believe that if this bill is passed, the Congress would be moving in the right direction, toward creating a more adequate work incentive than is now available.

#### DECLARATION APPROACH TO ELIGIBILITY

I should also like to applaud the provision for a "declaration" approach to eligibility, something with which we have experimented in New York City. The decision has been made to assign the entire relief-granting operation to an efficient clerical organization, largely computer based, which will conduct ongoing sample studies to control the level of fraud. We do believe, on the basis of experience, that most potential recipients are to be trusted and are therefore to be treated with the same respect and consideration as those who file social insurance applications or income tax forms.

#### MINIMUM PAYMENTS TO THE AGED, BLIND, DISABLED

Finally, may I applaud the proposed Federal minimum for the aged, the blind, and the disabled as well as the proposals to build a cost-of-living escalator into social insurance benefits generally. The decision to avoid the harmful, broad definition of responsibilities of relatives, which has characterized earlier legislation in this field, is also to be applauded.

#### IS THIS ADEQUATE AS A "NEW APPROACH"?

The President, in his message, urged a new approach. The proposal does break new and important ground, as we have indicated. Yet, given our long experience with earlier legislation and the President's announced determination to make significant improvement, we must raise some fundamental questions.

First and foremost, the "family assistance benefits" are not large enough. As you know, the guaranteed minimum does not quite reach halfway to the poverty floor, yet it is offered as an antipoverty measure which will provide a necessary floor under the income of families where there is no adequate income. It is difficult to accept that our society, at this time in history, cannot guarantee to all an income above the poverty line, cannot provide enough clothing, food and adequate shelter to assure the sound development of children and an adequate family life. When people need \$3,600 for a family of four—and even



that is a sum on which they can barely survive—we cannot applaud a guarantee of \$1,600.

The lack of logic in choosing this level is suggested by the proposed guarantee of \$90 per month for the adult categories, the aged, the blind, or the disabled. On a yearly basis this adds up to \$1,080, compared to a \$500 annual guarantee per adult in the family assistance plan. This would only perpetuate the clearly irrational and disgraceful gap between grants to adults under a category called AFDC and adults in the other categories.

And, while we represent an organization focused on the interests of children and their families, we cannot justify an approach which ignores the needs of single individuals and childless couples. There is no provision for them in the assistance plan before you.

May we take this opportunity to urge again as we have in the past the abolition of the categories that have discriminated against persons in our society who happen to fall into the less acceptable groupings. Categorical relief is not only a failure; it is clearly unfair to women and children and adults in need who happen not to be aged, blind, or otherwise disabled. Is this not the time to transfer the adult assistance categories to social insurance, with the aid of general revenue funds?

#### WE OPPOSE THE WORK REQUIREMENT FOR MOTHERS OF SCHOOL AGE CHILDREN

We urge you to reexamine the provision in the bill that mothers of school age children must register for work or training. We cannot accept the basic premise that our society should force mothers of school age children to go to work as a matter of general social policy.

We believe, of course, that men who are not too old or disabled should be required to register for training or work. In New York—where there are very few able-bodied men on the welfare rolls if you exempt those who are employed but at wages which force them to seek supplementary public assistance—the problem is that there are not enough jobs at a living wage. In East Harlem, for instance, a district of the city which is the home of many welfare families, unemployment has reached 15 percent. The same figures pertain in Bedford-Stuyvesant, Hunts Point, Brownsville, and other neighborhoods. What is needed, then, if men are to be able to work, is a manpower training and employment program which should be part of an overall economic—not a family assistance—program. Let me underscore the importance of this point—training for jobs that do not exist or for totally unacceptable jobs—not only wastes public funds but contributes to the widespread skepticism about our numerous much-heralded manpower training programs. The forced employment of mothers with young or school-age children should not be part of an overall economic plan.

To coerce mothers to work would be destructive for them as well as their children. A mother must be able to decide when her children need her. It is just as naive to assume that school-age children are always in school as it is that the situation of all families with school-age children is exactly the same. Haven't we learned the lesson that latchkey children should have taught us in the 1940's and 1950's? And why should the heads of one-parent families be singled out for forced employment? There is no provision that the wives of men who are underemployed or unemployed are to be subject to such coercion.



Certainly, the cost of such coercion will be great if one takes into account the probable effect on children of inadequate supervision, the cost of accidents, and the inevitable family disruptions.

#### COERCION IS NOT NECESSARY

Our experience, moreover, has taught us that many welfare mothers want to work when their youngsters start attending school full time. As a matter of fact, we have found that even many mothers of preschool children are eager to get back to work or to start working for the first time, in order to achieve independence. We are greatly concerned about the fact that many mothers who are working now resort to makeshift arrangements for the day care of their children, arrangements that jeopardize the welfare and sometimes the lives of these children.

The Citizens' Committee for Children has battled for day care for children of working mothers since World War II days when women employed in defense industries were unable to find adequate day care facilities for their children. They are still inadequate, and we are still battling. The WIN program which would provide Federal aid for day care of children of AFDC mothers who accept employment is stalled by the lack of day care facilities. Welfare centers usually refer mothers who are eager to work to day care centers, where they find waiting lists outnumbering the enrollment but no space for their children.

#### THE FAMILY DAY CARE-CAREER PROGRAM IN NEW YORK CITY

How much women want to work has been demonstrated again by the amazing success of the family day care-career program which was started 2 years ago as an OEO experiment and now continues, financed by the Department of Social Services. Under this program, AFDC mothers who are interested are given a choice either to stay home as "provider mothers" and take care of their own children and those of other AFDC mothers who choose training and employment ("career mothers"). As of October 20, 1969, this family day care-career program provided day care for 2,700 children in the homes of 764 welfare recipients or low-income mothers. In the past year, approximately 1,100 mothers have either taken training or found employment or moved directly into jobs while their children are cared for by other welfare mothers.

Unfortunately, the training and jobs are not available to serve all the mothers who are eager to enter the program. As of October 20, there were 924 approved day care homes of which 160 were not in use, primarily because career mothers were unable to find training or jobs. On that date, more than 1,000 children of 560 mothers were waiting—on welfare.

If documentation is needed for our contention that welfare mothers are eager to achieve independence, it can be found in the roster of the kinds of jobs these women are taking and holding. For the most part, they are working in factories, as sales girls, clerk-typists, telephone operators, and so forth at the minimum wage which is certainly not adequate to support a family of two or three or four. That they are willing

and eager to take on an almost impossible load is certainly evidence of their deep desire to work. It must be remembered that these women, many of them living in old-law tenements, with none of the household conveniences that most working mothers enjoy, have two or three children to feed, dress, transport to day care or school before they go off to work. They must then pick them up at the end of the day, feed them, do the chores and start all over again the next day. To do this, there must be great motivation. If one adds to this the difficulty of transportation in some of the outlying areas of large cities, it is clear that the major incentive comes from within—it is the opportunity that must be provided.

#### WHAT IS SUITABLE WORK?

In the past, many of the women who have wanted to work have found that training programs did not lead to jobs or that the only jobs available were those no one else would accept. We are, therefore, troubled by the fact that "suitable work" is nowhere defined. We realize that the Secretary of Labor, when he appeared before you and emphasized that the work must be "suitable" must have had a clear concept of "suitability." But how will we make sure that his definition of suitability is shared by State and local officials? Many of them, we know, are of the opinion that domestic employment is highly suitable for welfare mothers who, in the past, have often been pushed into underpaid and demeaning jobs. Slave labor, indentured servitude, are specters from our own unhappy past—let us not revive them in 1969-70.

#### WE WELCOME WORK INCENTIVES

Because we are aware of the critical shortage of day care and other child care services, and of counseling and realistic training programs, we welcome particularly that under this bill the Secretary of Health, Education, and Welfare shall make provision for the furnishing of child care services and that 90 percent of the cost of child care services, including alteration, remodeling and renovation of facilities, shall be furnished by the Federal Government. On the face of it, this would seem to offer the kind of support that would enable welfare mothers to work. Actually, without the establishment and enforcement of standards, there is no certainty that State and local programs will implement the intent of the Federal bill. Unless States and localities which must administer the legislation are required to do so, we are afraid women and children in AFDC families may not be any better off—or even as well off—under this legislation than they are today.

But even if Federal funds for day care do begin to flow without the usual bureaucratic obstacles, one important gap remains. This is the lack of funding for capital investment in facilities for day care. Unless some way is found to assist localities in paying for these facilities, we shall not begin to make the progress we all desire.

With these amendments, and without any coercion at all, we predict that you will be flooded by mothers who want to work.

In this connection, may I remind your committee that when he appeared before you on the opening day, the Secretary called your attention to the fact that the legislation before you did not yet make provision for social and rehabilitation services as an essential companion piece. We have long opposed the offering of services where



people need money. We have long favored the separation of the administrative machinery from that which renders social services. Nonetheless, from our long experience with families and children, we know that it is urgent that there be adequate provision for foster care, for institutions, for homemakers, for personal help and counseling. We hope that this committee will consider its business unfinished until it has before it the "definite legislative recommendations" promised by the Secretary "in the near future." The open-ended 75-percent reimbursement in the existing public assistance legislation has provided important aid to States and localities in this realm. Appropriate expansion in the direction of foster care and adoption would be an important first step.

#### STATE SUPPLEMENTATION

We have some concern about the provisions for State supplementation of the minimum guarantees. Grant levels are not to decline. A range between 50 to 90 percent of their present investments is offered to States, and in some instances this constitutes significant financial relief. It provides only infinitesimal financial relief for New York State, however, and other ways must be found, unless the pattern of matching can be improved, to assist us in coping with an economic burden that is the result of Federal policies, particularly the agricultural policy, designed to assist other parts of the country.

If we assume that the pattern proposed here will continue, we must raise question about what will occur after the 5-year maintenance of effort protection which the bill offers. May we also urge that you reconsider the question of whether some way cannot be found to permit supplementation of incomes of the working poor in the States as well, with some Federal matching. Although we have not been able to estimate just how many people would be involved it would seem, on the face of it, that we are losing an opportunity to help a significant group by failing to provide for such State supplementation.

#### WE QUESTION ADMINISTRATIVE ARRANGEMENTS

We should also like to express some concern about the administrative arrangements for the proposed work requirement. The bill provides that if a recipient refuses to register with a local manpower agency or refuses suitable manpower services training or employment without what is seen as "good cause," his portion of the family assistance will be denied. For each person who registers, an "employability plan" is to be developed, but much is left for specification in future rules and regulations. Given the history of the employment program nationally, we must express concern that the discretion in evaluating "employability" and response of individuals to "offered employment" may, in effect, actually undercut the Federal minimum guarantee proposed in the family assistance plan. We would propose, at the very least, some provision in the legislation to assure uniformity of interpretation of a "suitability of employment" plan and of the response of an individual to proffered training and employment. In effect, unless there is Federal standard setting and supervision of this operation, we will not make the progress which this legislation is designed to produce.



## MUST WE HAVE A MEANS-TESTED PROGRAM FOR CHILDREN?

Having acknowledged the important breakthrough of the proposed legislation, while urging modifications, we hope Congress will enact it as a first step.

I should now like to return briefly to a discussion of the citizens' committee's study during the past 2 years of the problem of income maintenance as it affects children. With the collaboration of a variety of experts in this country and abroad, the participation of large numbers of citizens in meetings which we have held in various parts of the country, we have reached the conclusion that a new approach must be taken to the problem of financial underpinning for children in the years of their development. Children are our major human resource in this country, the major objective of much that we do. We have concluded that if they can be adequately fed and housed during their growing years and given the supporting health services and good schools that they need, the investment would pay off for the country in many ways. We think that the time to begin that investment is now.

Our explorations have convinced us that the form of this investment should be a children's or family allowance. We mean by this a significant allowance, somewhere between \$25 and \$50 per child per month, distributed automatically as a matter of right to the adults rearing all children in this country. Such a program is essential in view of the relationship between family size and poverty and the lack of relationship between wage-scales and family size. The economic cushion provided by such a program would be a contribution not only to families subsisting below the poverty line, but to low-income families as well.

A children's allowance, in fact, would be a "sweeping and much needed reform," going far beyond any current proposal on your agenda. The Secretary, in his testimony before you on October 15, mentioned his concern about "ominous and socially polarizing racial overtones" in the present situation. A universal family allowance, without a means test, would have a unifying effect. All children would be seen as children, not as poor, or black, or white.

We recognize, of course, that a program of this kind is expensive and are prepared to offer estimates for various approaches if you wish to explore family allowances further at a later point in your hearings. May I note at this time that, while the cost of the program would remain high, nonetheless, considerable savings could be made by the elimination of child dependency exemptions in our income tax system as well as the return of large funds at upper income levels through taxing the allowance. More basically, we believe that a program focused on children has great merit. Indeed, the President's family assistance plan also is a program for children—but only for some children.

## SUMMARY

In short, we applaud the way in which the proposed legislation breaks new ground in its concept of a national minimum income, in the inclusion of the working poor, in providing a variety of work incentives, and in authorizing a substantial expansion of day care. We also applaud the higher Federal minimum for the adult categories and the raising of social insurance levels. On the other hand, we urge re-

consideration of the level of the guarantee, a removal of the requirement that mothers of school-age children be compelled to work, and the shifting of emphasis to the guarantee of work. We see need in the legislation itself for considerable clarification as to how uniform standards and criteria will be applied in relation to this new form of "work test" and we see need to help with capital investment in facilities for day care.

With reference to the overall strategy of the bill, we wonder whether it is not possible, once and for all, to eliminate distinctions among the several adult categories and indeed whether it is not now possible to abolish categories altogether. Finally, given the size of the financial investment and the nature of the Federal guarantee, we believe the time has come to consider inclusion of Public Assistance recipients in the adult categories in the social insurance system with payment out of general revenue funds.

Legislation with a dimension of \$3 billion and \$3 billion can only begin to deal with part of the income transfer program that the country must develop. We urge your serious consideration of an overall package that will include: employment guarantees, continued improvement of social insurance, the development of a children's allowance and an improved family assistance plan as the supplementary program for those who would not be helped under the other provisions.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Dumpson, for coming to the committee and giving us the benefit of your thinking on these matters.

Let me ask you with respect to a matter that you did not cover in your statement. I know there has been some degree of disagreement in your city with the statistical analysis of the operation of the welfare program in New York City by HEW. Would you just for the record give me your evaluation of that study and whether or not it does reflect a degree of accuracy or inaccuracy, just what caused it to be inaccurate if it is inaccurate?

Mr. DUMPSON. Yes, I would be glad, to, Mr. Chairman. As a matter of fact, I will answer your question here. With your permission, I would like to leave with you a copy of a statement that 17 people—I was one of them—released to the press just yesterday commenting in detail on that study.

The CHAIRMAN. I would be glad to have that made a part of the record immediately following your oral statement today.

Mr. DUMPSON. Thank you, sir.

My major objection, Mr. Chairman, to that study is that it manipulates, in my judgment, and the judgment of those who signed the statement, some statistics that do the poor and the program a great disservice. Let me illustrate what I mean. If I remember, the report talks about a 10.9-percent ineligibility of public assistance recipients in New York but it is talking about ineligibility for Federal categories, and then it says that 3.5, if I remember my statistics correctly, were totally ineligible.

I am not quarreling, sir, with the statistics. I am quarreling with the use of them because they then project on the basis of the 10.9 percent the amount of money that has been mismanaged or wasted. In the report it is very clear that the report says 3.5 ineligible, but the press inter-



pretation of the report and the report itself gives the general public the impression that 10.9 percent are ineligible.

Now, it is true they may have been ineligible for Federal categories. That does not mean that they were ineligible for some form of public assistance, possibly general assistance, that, as you know, is nonfederally assisted. That is No. 1.

No. 2, we have strong objections to the references made to "in migrants" and "in migrants" in my State happen to be black and Puerto Ricans. One gets the impression that New York State and New York City have increased principally because of "in migrants." I take strong exception, as you know from past statements that I made when I was in public office, to referring or applying the concept of "in migrants" to American citizens, whatever their color from wherever they come. The principle of mobility for American citizens across these United States of ours, it seems to me, should not be challenged. One gets the impression that these people have come, and there are all kinds of use of language in this report, in order to get assistance. The statistics show, our experience shows, that this is not the fact. Yet the report by innuendo at least, and sometimes by direct statement, makes this comment.

Finally, the report talks quite a bit about the laxity or the free-wheeling administrative philosophy of the present administration. I would submit to you, Mr. Chairman, I wish I had had the freedom to implement that kind of philosophy for the 6 years that I was the commissioner of welfare of that city because I would submit to you that the philosophy of administration in the public Welfare Department of New York City is one that I characterize as humane and in the best interest not only of the people who are recipients but of the general public because they are indivisible as far as I am concerned.

I hope I have at least given you a little flavor of some of the objections I have and I suppose some of the deep feeling that I have about the damage that that report has done.

I know that when HEW does a report, Mr. Chairman, of a local department it submits the report to the department and gives the department an opportunity to take what we used to call exceptions, and you go case by case. I am sure that was done. I have no question about that.

What I am suggesting is that maybe the exceptions submitted by the department should also have been a matter of public record.

The CHAIRMAN. Should have been included in the report.

Mr. DUMPSON. So the public would see not only the HEW report but what the commission had to say. This was not done and so the general impression is these people are not ineligible. The impression is that up to 50 percent of them may never have been ineligible for any kind of public funding and I say this is a disservice to the people and the program.

The CHAIRMAN. I had understood, and I don't want to delay the committee nor you either, that this study had been made jointly by the officials of the Welfare Department of the city of New York or maybe of the State——

Mr. DUMPSON. Of the State.

The CHAIRMAN (continuing). Of the State, and HEW.

Mr. DUMPSON. That is true, sir.

May I comment on that?

The CHAIRMAN. Yes.

Mr. DUMPSON. The report, you are correct, was signed by the official of the HEW and by the State commissioner of social services. I have the highest regard for our State commissioner but I have taken exception to the fact that he signed the report failing to recognize that in our State, where we have a State-supervised locally administered program, that whatever inadequacies there are in the local program Commissioner Wyman, the State department of social services, and the State board of social services must share responsibility for. Whatever happens in New York City in public welfare under our State statute is also the responsibility of the State department, the State commissioner, and there isn't a word in that report of assumption of responsibility for the inaccuracies of maladministration that is charged against the city of New York.

The CHAIRMAN. Do you have a copy of this?

Mr. DUMPSON. I have seen a copy of that; yes, sir.

The CHAIRMAN. There is some comment here on page 193. It is not what you are referring to as the exception of the city department of social services, apparently, but some further explanation. For instance, in one paragraph—

A small number of cases initially classified as overpayment-underpayment and potential resources have not yet been replied to by the city department. For this reason some reduction in the number of such cases as shown in this report may be anticipated when all replies have been received and evaluated.

Mr. DUMPSON. Of course, you know that the damage has been done, even if those exceptions are made public. The damage in terms of the attitude and perception of the people who are on relief has already been perpetrated.

The CHAIRMAN. That is a very important point. You know as well as I do, I am sure, there is a very strong and growing feeling in this country that there is something wrong with the operation of welfare generally. I get more letters from people who oppose the idea of paying taxes to maintain somebody who is physically able to work than most anything else. I am sure you heard that while you were director of the department in New York City.

Mr. DUMPSON. Yes, sir.

The CHAIRMAN. Anything that is done to intensify that feeling, and incorrectly done, of course, is regrettable. We want to get all the information we can on this point.

What is your explanation, Dr. Dumpson, for the more than doubling of the AFDC caseload in New York City between 1966 and 1968?

Mr. DUMPSON. Mr. Chairman, I think there are a number of reasons.

The CHAIRMAN. You said initially it was not primarily the immigration that they referred to in the report and I am prone to believe that it is not.

Mr. DUMPSON. I think if I were listing, Mr. Chairman, all of what I think are the contributing causes, I would include in migration but I wouldn't single it out as the No. 1. I think when one raises the benefit level as we have done continuously in New York City and New York State since 1965, 1966, as you raise the level you therefore include as eligible a larger number of people. I think this is an important point.



The CHAIRMAN. Just as we do under social security, sometimes when we raise the outside earned income level.

Mr. DUMPSON. That is correct. I think the idea of publicizing the rights of people who are poor under the law to apply for assistance has helped remove somewhat the stigma that has traditionally been attached to public assistance and people who are genuinely in need therefore have come in greater numbers.

I think that is a contributing factor. I think there has been a loss of a certain level of jobs in New York City. While there may have been an increase in certain other kinds of jobs, the impact of technological automation I am convinced has an impact on the number of people who now fall within the eligibility line of public assistance.

I am always reminded, Mr. Chairman, I point out to a class—what happened to all of the elevator operators who used to run elevators in Macy's store. That whole elevator system is completely automated. What happened to those men who were 45, 48, 50, 52, with no skills? Well, I think I know where some of them are. They may be receiving supplementary assistance from the New York City Department of Social Services. I certainly think that the inequities in benefit levels in other parts of the country have contributed to it because people have felt, "I will go there and look for work, I will go there and look for better housing, and if something happens I know that I am not going to starve to death."

I think these are all contributing factors in our increase in public assistance. Certainly, I would have to say that the prominence of the welfare rights organization and their activities in talking about what people are guaranteed, what people's rights are under the statute, have contributed. All of these factors are in the HEW report, but they are buried either in the text or they are so worded that those people who wanted to misinterpret—and I don't charge HEW, sir, with misinterpreting the facts: I charge the HEW report with so stating the facts that they lend themselves to playing into what some of us in New York refer to as racist attitudes and statements. But these are some of the factors that I think have contributed to the increase.

The CHAIRMAN. Well, the HEW report is not the only source that I have had of information that most of this increase has resulted from the influx of people from other areas into New York City. Many of the officials of the State and of the city have mentioned that and nothing else, so it is not just the HEW report that has created that picture but some of the locally elected officials have also created it in my mind, and I couldn't believe that it could be just that one thing. I would hope and certainly I feel that people migrate from State to State primarily to find some better life, and I can't conceive of migrating from one State to another State just to get a little bit more welfare payment. That doesn't appear to me to be the kind of a life that people would move about to find.

Mr. DUMPSON. Particularly when one considers all the discomfort that goes along with it in terms of intrusion into one's personal life, that goes along with receiving public assistance.

The CHAIRMAN. What do we do, however, Dr. Dumpson? Actually, how do we handle this problem of the training of the people?

You say that you have no objection, or you find no objection, in the law or in the recommendations with respect to the male in the family

being required to take training in order to see whether or not he can get his family off of the program.

Mr. DUMPSON. Yes.

The CHAIRMAN. We had Monsignor Head from New York City here yesterday and he was objecting, also, to the requirement that the mother who had school-age children be required to take training. We had a provision added in 1967 to our law. We thought we were moving in the direction of trying to help the person actually and the family. We had tried in 1962, as you know—I think you were then with the department in New York City—

Mr. DUMPSON. That is correct.

The CHAIRMAN (continuing). On a voluntary basis, but it didn't seem to produce very many trainees or very many people working. I have been very much interested in this matter and in part, I guess, was responsible for some of the activity of one of the organizations working in the so-called poverty program in my State of offering training to mothers, to women, whether they had children or not. Most of them, however, were mothers whose husbands had gone or they weren't at home. The ability of those that we had in the courses to take the training and to later become employed was remarkable, at a cost of about \$40 a month, I believe it was.

One woman that I have in mind, and I mentioned this yesterday, was the widow of a tenant farmer. She had several children—I have forgotten the number, 10 or 12—the oldest of whom was about 19, mentally affected, perhaps mentally retarded, but a complete invalid. She was on welfare for about 2 years. She had been trying all the time she was on it to find some way to get training and finally one of these programs was available to her and she took training as a nurse and under our State law became a licensed practical nurse. She is now in a hospital as the head of the licensed practical nurses in that hospital making far more than she could ever get under our State law with all of these children under the AFDC program. This was one of the cases that President Johnson invited to the White House last year.

In another area that I know about there have been 300 of these women that have been trained for jobs in hospitals and nursing homes and put to work and they are tickled to death about it. I have talked to so many of them who deplore the fact that they have to be on welfare. They want off of welfare. They want to have some kind of training, and they want a suitable job so that they can be independent.

Just how do you do it? There has to be some motivation from within the individual, of course. I realize all of that.

Mr. DUMPSON. Of course, Mr. Chairman, I think you have given my answer, frankly. In the first instance, coercion isn't necessary. These women, you are correct, do want to work, many of them. All I would plead for would be a real choice for a woman with children up to, let's say, the age of 16, a real choice as to whether she wants to work or whether she doesn't. She and she alone, it seems to me, is the best judge as to whether her children need her and to the extent to which they need her. That would be No. 1.

No. 2, we, too, train some women in New York City. When I was commissioner and since then many of them did get work but many of them didn't get work, certainly not the work we trained them for, and so one of the weaknesses, it seems to me, in the family assistance bill,



is the absence of guaranteed employment after the training. There is nothing more disillusioning and frustrating than for a woman, or a man for that matter, to go through a training program with the promise of bettering himself and then finding that what he had been trained for is not available for him in the market for a variety of reasons, so that the absence of a guarantee for employment at the end of that training route—and here I think industry could be of great help to Government in the provision and absolute guarantee that when you finish this there is the job for you.

The third thing that I would say is, I am not opposed to women working who have children if they make the choice and if we have done what the bill prepares to do, and that is, provide adequate care and supervision for the children while they are away.

We have in New York City now, Mr. Chairman, about 4,000 children on waiting lists for day care. There are local funds available for renovations of buildings for day care but, under our housing code, under our health code, these buildings will not meet the requirements of the code. Therefore, in my testimony I urged for funds that will permit the construction of facilities, capital investment. This is the only way we are going to provide this need of day-care facilities for those mothers who do want to be trained and go to work.

The CHAIRMAN. This was my thought, and it is the thing that bothers me about it. Let's us assume that the mother decides that she is needed at home more than in some other situation, and forgoes the training. By the time her youngest child is grown, becomes 18 or an adult, the mother has reached the age of 45 or 50. Well, you recognize in New York City, just I am sure as it is in my own State, the difficulty of anyone female or male, getting her first or his first job at age 45 or 50. It is just almost out of the question. Well, now, what happens to that person? There is no Federal program that would take care of that person.

Mr. DUMPSON. You see, Mr. Chairman, I think a mother who has elected to remain at home is going to do what most mothers do who remain at home: use their own free time—and mothers do have free time, the children are in school—for self-improvement; but this is not training that is coerced and is related to immediate employment.

I agree with you that a woman ought to be engaging herself in preparation for that time when her children do not need her, but this is a totally different problem or situation than when you say, "We are going to train you and, if you are dependent, you must leave your children and go out and take a job."

You see, as a former child care worker, I am afraid we are building up in that construction a lot of other problems, social problems, for, as with children who have not gone through the acculturation process that mothers are supposed to be the prime movers of, and children who come out with all kinds of problems, social problems, behavioral problems, that we pay for in a variety of other ways later on.

The CHAIRMAN. Do any of the States suggest to these mothers or offer them the opportunity of going to school while their own children go to school?

Mr. DUMPSON. Yes.

The CHAIRMAN. They do?

Mr. DUMPSON. Yes, indeed they do.

The CHAIRMAN. Is that what you are leading to, really?

Mr. DUMPSON. Yes. In Westchester, just out of New York City, there is a beautiful program for mothers to spend, I think it is an hour in the morning, and an hour and a half in the afternoon, but it is not, you see, a condition of anything.

The CHAIRMAN. I understand, but how could we encourage that among the States?

Mr. DUMPSON. I think if you just remove the coercion and, relating it to receipt of public assistance, make the programs available and have the mother know that she really can choose this without censor, complaint, or anything—mothers of children who are poor and near poor aren't too different from mothers that are not poor.

The CHAIRMAN. I realize that.

Mr. DUMPSON. They have many of the same needs. I think the availability of the program under a different spirit and under a different rubric will bring the result that you and I are talking about.

The CHAIRMAN. Any further questions? Mr. Byrnes?

Mr. BYRNES. Doctor, I think you have been very helpful to us and I express my appreciation at least for your coming. You talk about immigration. There is no question concerning the fact of immigration; is there? It has taken place; it has added to the problem of the city of New York in its welfare area; has it not?

Mr. DUMPSON. No question about that.

Mr. BYRNES. What do we have by way of figures?

Mr. DUMPSON. You mean in terms of welfare situation and immigration?

Mr. BYRNES. No; I am thinking, really, more of the total city area.

Mr. DUMPSON. To the city.

Mr. BYRNES. I know you also have a movement from the city into the suburbs and escaping, therefore, the responsibilities and problems of New York City.

Mr. DUMPSON. They think they are escaping, sir. They are moving to other problems in suburbia.

Mr. BYRNES. I am sure they are.

Mr. DUMPSON. I don't know the latest figures on immigration into New York City. I do know that the Puerto Rican immigration has leveled off completely, and there is not the mass in migration that we thought of in the late forties, early fifties, and so forth.

I am also inclined to believe—and again I would have to look at some of the data—that the immigration of nonwhites into the city has leveled off. I was asking whether you were relating this to welfare, because we did a study when I was commissioner and found that less than, I think it was about 3 percent or less, of the people on public assistance had been in the State under a year. Commissioner Goldberg and Administrator Ginsburg tell me that that figure is still about the same: somewhere between 2.3, 3 percent, less in a year. Of course, when you are dealing with our statistics in New York, where you have a million people on assistance, any statistics in gross figures is a pretty good size number of people.

Mr. BYRNES. Has that figure, though, changed—that 3 percent? Is that higher now than it was, let us say, 3 or 4 years ago?

Mr. DUMPSON. I am told it is not for under a year. Now, when you move up to under 3 years and under 5 years, there has been an increase;



under a year, no. Under 2 years, 3 years, and 5 years, there has been a percentage-wise increase, yes.

Mr. BYRNES. What do we know about the real motivation that causes migrants or the welfare group to become the hard core of the city of New York?

Mr. DUMPSON. It varies, sir. Sometimes it is as simple as wanting to join friends and family. For the Puerto Rican and for many of the rural people coming to us from rural sections of the country, it reflects our absence in public social policy to do in Puerto Rico and to do in the rural sections of the country what we have been saying we are trying to do in terms of Federal development in the urban crisis.

Sir, I have talked to people from the rural South who told me that if they were free—and I don't need to elaborate on that question—if they had proper housing, if they had proper opportunity for employment, if education were adequate, they preferred to stay wherever they had come from. And this is true, of course, of Puerto Ricans who have migrated.

What I am saying is that as one talks to these people, what they are really looking for is a better chance for their kids. They will say, "I couldn't get medical care. Nobody in the hospital where I came from would help my child who had asthma or a cardiac involvement." And welfare is the last thing that comes to their mind. They, of course, have a distorted view of what life in the big city is like, and that, too, is a very disturbing and frustrating experience to find that the housing they come to, the school situation they come to, the narcotics problem that infests the ghetto, is not anything that they foresaw. Nobody told them about it. They are sometimes as unhappy about having moved to New York City as they thought they were unhappy when they were in the State from whence they came.

Mr. BYRNES. It has been suggested that the minimum assistance proposed under the administration's program would tend to minimize the migration into some of our industrial centers. Do you agree it will have that effect?

Mr. DUMPSON. I think it may reduce to some extent the—again, because I don't think that is why people move, maybe it is an oversimplification, sir, to say, that our welfare problem and how we finance it and what the levels are becomes almost secondary to this: Our welfare problems reflect our failure in a number of other systems, and to me it is a fallacy to keep talking always about how we reduce welfare costs and welfare loads. And we rearrange the formula, and we do other things.

We have not dealt with the whole business of delivery of educational services as we must, of health services as we must, of training and guaranteed employment as we must, of discrimination as we must. And it seems to me if we just focus on one—and I know you have to do it piece by piece, because you have a bill before you—one must not lose sight of the relation of these other systems in our society that interlock with the need for or absence of need for assistance.

I think that equalizing a national standards is going to help some, but I think the greatest help, of course, is that people wherever they are going to be guaranteed at least a floor—and this is laudable in the bill and is the first time that we have been able to see our Federal Government move toward the establishment of a floor, although I think it is too low. That doesn't matter. The principle will be in the legislation. We will fight for that next step after you pass the bill.

Mr. BYRNES. You have been very helpful. Thank you very much.

The CHAIRMAN. I wouldn't worry about where the floor is placed. It never goes down. It always goes up.

Mr. DUMPSON. You are right, sir.

The CHAIRMAN. You have been extremely helpful to me, and I am sure other members on the committee appreciate your coming to the committee.

Mr. DUMPSON. Thank you for the opportunity, sir.

(The statement referred to follows:)

#### A RESPONSE TO THE SPECIAL REVIEW OF AFDC IN NEW YORK CITY

As a group of informed and involved citizens, deeply concerned with the problems of the poor in New York City and the country, we wish to express a sense of outrage and dismay with the tone and content of the recently released "Report of Findings of Special Review of the Aid to Families with Dependent Children Program in New York City" conducted by the U.S. Department of Health, Education and Welfare and the New York State Department of Social Services and released on September 26, 1969.

It is our view that this incredible document—fraught with contradictions, factual inaccuracies, misrepresentations, and distortions—represents a sinister attack against the poor of this City that is unpardonable in social or moral terms.

The General Accounting Office has issued a review of this Report which was meant to determine the accuracy of the HEW study, has ratified its findings, and compounded them with faulty estimates of its own.

For instance, the GAO document contends that 10.7% of New York City families are ineligible for federally aided assistance, and, on an annual basis, this group of ineligible families received \$42 million which it should not. Although this 10.7 may have been ineligible for AFDC, the GAO found that only 3.9% of this category were ineligible for any kind of assistance, and at least 4.8% were eligible for home relief—they were unable to determine the eligibility of 2% Even if we accept the GAO's figures, almost half of this category were eligible for some kind of assistance, and therefore, half of that \$42 million would have been paid out anyway. This is a prime example of the manipulation of statistics which we are incensed about. The \$42 million was arrived at by using a base which even the Report shows to be inaccurate. Therefore, the amount of excess payments claimed by the GAO report, \$70.9 million, is totally false.

That this attack comes at a time when the flames of racial, class and religious conflict are raging makes those who produced this Report appear to us cynical in the extreme, particularly since there is a strong appearance of political motivation behind the Report, and the timing of its release during this election year.

Most disturbing to us as private citizens and taxpayers, however, is the fact that this result of shoddy research and apparent political motivation has been sponsored and produced with the support of major state and federal agencies bearing primary responsibility for seeking solutions to the growing problems of urban poverty in the state and country.

Our faith in the ability of HEW and the New York State DSS to deal fairly and wisely with important social problems has been severely shaken by this document. In the past, we have worked productively with the administrators and staffs of HEW and NYSDSS. In the light of this amazing Report, however, all of us must now look more closely at our relationships with agencies that would publish such an irresponsible document.

It must be understood that the poor have many enemies in this country, and this Report deliberately or otherwise plays directly into the hands of those who would blame the poor for all the problems of the nation. In most instances, "The poor" means Black Americans. In New York City, the phrase has come to include Americans of Puerto Rican descent.

It is not our intention to refute the Special Review of AFDC Families point by point. To deal with all of the inaccuracies and distortions would require a document equal in length to the 233-page Report itself. Rather, there are a number of broad questions which require response. Those are:

1. What general impression has the Report left upon the general public? And what are the implications of this?

2. What new information does the Report provide? What does it actually say?



3. What are the implications of the way the Report deals with the issue of the prevalence of Puerto Ricans and Blacks on the New York City AFDC rolls?

4. What are the implications of the way the report handles the issue of high grant levels as a disincentive to employment for AFDC mothers?

5. What are the implications of the way the Report deals with the effect on AFDC caseloads of CAP Agencies, welfare rights organizations, client-oriented caseworkers and the levels of professionalism among caseworkers?

*1. What general impression has the report left upon the public?*

It seems to us that the Report has left three major impressions on the public, all of them negative and all of them fostered by a lack of clarity of the Report, resulting in distorted and/or inaccurate interpretation. Those three major impressions are:

(a) That thousands of people, mostly Blacks and Puerto Ricans, are involved in a massive attempt to defraud New York City taxpayers by applying for and receiving AFDC grants for which they are not eligible.

(b) That, in addition to the ineligible recipients, additional persons, who do qualify for welfare, have consciously concealed their actual financial condition and are receiving welfare payments in excess of what they are due.

(c) That Blacks and Puerto Ricans in large numbers have migrated to New York City with the calculated intention of taking advantage of high welfare payments as opposed to coming here to find work.

These impressions are promoted by the format of the Report and by the overall tone of the text. Physically, certain hypotheses are advanced in underlined type. When these hypotheses prove untrue, that fact is not underlined and is often found deep in a body of type. For example, the Report goes to some length (two full pages) to explain the background and meaning of the hypothesis that Blacks and Puerto Ricans come to New York consciously to take advantage of high welfare payments. At the end of a paragraph on page 35, the Report indicates that the "current rise in AFDC caseloads cannot be attributed to a recent increase in recipients who have migrated for calculative reasons." However, the length of time spent in explaining this "phenomenon" leaves the public with the impression that there must be something to it. And sure enough, the Report goes on to spell out a number of modifying factors which leads its researchers to conclude that there might be a "cumulative buildup of possibly calculative migrants. What can that possibly mean, in scientific research terms? Not much, we feel. But in terms of an indirect attack on poor Puerto Ricans and Blacks, its meaning is clear.

In addition, it is interesting that the majority of the hypotheses advanced in the Report are distinctly regressive in terms of socially-oriented programs. They attempt to blame high caseload and rising welfare costs on such factors as high Puerto Rican and Black migration into the City; lenient, client-oriented caseworkers/lack of professional involvement among caseworkers; activities of CAP agencies; activities of welfare rights organizations, and the like. One must therefore ask: Whose hypotheses are these? Why are they advanced in this manner? What is the prejudice, or bias of the Report?

In addition, there are a number of hypotheses which are gratuitous in the extreme and must have been included for reasons other than the value of their findings. It does not require much research to determine, for example, that rigid restrictions on welfare qualifications would reduce the welfare caseload; or that few Blacks migrate to Georgia from other states due, among other things, to Georgia's low welfare payment schedule. All of these hypotheses argue for regressive policies with regard to public assistance, and we once again must ask: Who is advancing them, and why?

*2. What new information does the report supply? What does it actually say?*

The Report does provide one piece of valuable data, if subsequent investigations verify its projections concerning the increase of persons on welfare in the 1970's. The Report does not, however, provide us with a view of possible alternatives, given the likelihood of this increase. It does not discuss the need for massive employment and job-training programs, etc. By implication, it stresses that the solution to this predicted increase lies in the area of regressive policies which will discourage people from migrating here from other states. These policies would, again by implication, include restrictions on eligibility of recipients, reduction in client-oriented caseworkers; reduction in the activities of CAP agencies and welfare rights organizations, and so forth. We find all of these implications reprehensible in a country in which freedom of information,

sympathy for the poor and the underprivileged, freedom of movement and equality of opportunity are part of the national heritage.

It is our view that the prevalence of overstated hypotheses and racist innuendoes about Blacks and Puerto Ricans has obscured the actual findings of the Report.

The study found that 3% of those on welfare are not eligible. This percentage is well in line with the state and national average, and has been maintained at a time in which rapidly climbing caseloads have placed very heavy pressure on the system.

The study found that 4.6% of those on welfare should not have been receiving federal funds. The city administration has attempted to collect as much federal assistance as possible for a program that, in our view, should be entirely funded by the federal government.

The study found that some 30% of AFDC recipients received overpayments averaging \$43.00, and some 15% received underpayments averaging \$17.00 over varying periods of time. These figures are disputed by the New York City Department of Social Services, which argues that the report's estimates are one-third inaccurate, and that in any case, the dollar amounts of these mispayments represents but a fraction of the expenditures for welfare payments in the City.

### *3. What are the implications of the way the Report handles the prevalence of Puerto Ricans and blacks on AFDC?*

The Report, in effect, blames the increase in welfare costs in New York City on the increase over the past ten years of Puerto Ricans and Southern-born Blacks in New York City's population.

We must condemn in the strongest possible language the way in which the Report deals with this issue. The Report is redundant with direct and indirect attacks on Blacks, and particularly on Puerto Rican New Yorkers. It singles out Puerto Ricans as though they are peculiar because they have the highest proportion of "the poor". It does not acknowledge that this has been true of every large migrant group in the City's history. It was successively true of early white Protestant settlers, of the Irish, the Germans, the Jews, the Italians, and the Blacks. Half-truths embedded in bigotry do not belong in government documents.

The Blacks, often referred to as Negro or non-white, are repeatedly selected as a cause of present and future burdens. Caseloads in Southern states such as North Carolina and Louisiana have been used to compare the absence of a welfare increase in those states as against New York City's increase. This is done as if to advocate for New York City the policies of these Southern states which have denied assistance, delayed assistance; make such niggardly grants as not to meet the lowest subsistence levels, and imbue Blacks with a sense of utter despair and powerlessness.

Most reprehensible to us, however, is the way in which Blacks and Puerto Ricans are dealt with in this Report as "migrants." This word, used in regard to American citizens, whose freedom to move is a cherished right, becomes all but an epithet. At one point, the Report states, as if it were relevant, "If it (New York City) granted welfare to only its native-born poor, the number of its AFDC mothers in December 1968 would have been only 38,000 not 175,000." In a previous sentence, the Report laments the fact that New York City "is called on to redress not only the poverty of its own people, but also that of many people from other parts of the United States." Such statements can only be seen as a provocation of prejudice against the newcomer, since New York City is still a part of the United States and cannot exclude citizens of other states, though the authors of this report apparently feel this might be a good thing. Such government support of those who would isolate and separate poor Americans from other Americans on the basis of race or place of origin must be condemned.

### *4. What are the implications of the way the Report handles the issue of high grant levels as a disincentive to employment?*

This issue is raised in the report as if to imply that large numbers of people on AFDC in New York City choose to remain on welfare despite the availability of employment at a comparable income level. After finding that women, who can, at best, get low paying, and at worst, irregular, part-time, exhausting jobs, choose public assistance when it pays more, the summary of findings makes the bold statement: "Grant levels act as disincentives to employment when they exceed wage levels." But rather than arguing for greater employment opportunities with reasonable wages and reasonable working conditions, the report, by comparing New York's high caseload with the low caseloads in Raleigh, N.C.



and Memphis, Tenn., appears to argue for reduced grant levels, restrictive eligibility policies and the like. In fact, the report carefully avoids a finding that work opportunities and higher wage levels for persons requiring assistance would decrease the caseloads, although there is factual data buried in the Tables to establish this.

*5. What are the implications of the way the report deals with the effect on AFDC caseloads of CAP agencies, welfare rights organizations, etc.?*

Once again, the report appears to speak in favor of a number of conditions which we consider to be inimical to the interests of the poor. This is accomplished, once again, by making unfavorable comparisons between the caseloads in New York City as compared with that in certain Southern cities.

The report finds that caseloads tend to be lower in cities with the following conditions:

- where the people are overwhelmed with a sense of powerlessness.
- where there is an absence of an active OEO-funded CAP agency working to make people aware of their rights to public assistance.
- where there is an absence of an active welfare rights organization working to reduce the sense of personal powerlessness and the lack of information.
- where welfare caseworkers are restrictive, non-sympathetic to clients, older, and oriented toward the welfare department rather than the client.

We find the implications of this section totally unacceptable. It seems incredible to us that the staff and administration of HEW and the NYDSS would argue for continued powerlessness among the poor, for reduction in community action programs, for reduction in client-sympathetic caseworkers. But that is the clear implication of the Report.

In conclusion, we must ask one important question: Why was this Report written, and under whose impetus was this investigation launched?

We can understand the participation of the Hon. Wilbur D. Mills of Arkansas, Chairman of the House Ways and Means Committee, in the development of this Report. Chairman Mills was never an advocate of progressive social legislation. It was he who formally requested the Report. We, therefore, call on the New York Teamsters Union to disclaim the findings of this Report and all of those contents which bear the mark of racism or social regressiveness.

We also are alarmed at the endorsement of this Report by George Wyman, Commissioner of the New York State Department of Social Services.

We similarly call on Mr. Wyman to repudiate this Report and to instigate another study, of greater scope and depth, to correct the glaring inaccuracies in this Report.

The signers of this report are not, in this instance, prepared to simply release this report and hope that those in responsible positions will respond adequately.

For this reason, we have sent telegrams to the offices of the New York City Teamsters Union demanding a meeting to discuss the position of the Union's leadership on this attack against the poor people of our City.

This statement is endorsed by the following persons:

- Dr. Kenneth Clark, President, Metropolitan Applied Research Center.
- Whitney M. Young, Director, National Urban League.
- Dr. James Dumpson, Dean, Fordham University School of Social Work, former Welfare Commissioner.
- Justine Polier, Judge, Family Court of the State of New York.
- Dr. Leslie Dunbar, Director, Field Foundation.
- Victor Gotbaum, Executive Director, District Council 37 of the Municipal Employees Union.
- Dr. David Barry, Executive Director, New York City Mission Society.
- Rev. H. Carl McCall, Metropolitan Applied Research Center.
- Hector Vazquez, Executive Director, Puerto Rican Forum.
- Bernard C. Fisher, Community Service Society.
- Trude Lash, Director, Citizens Committee for Children.
- Father Robert P. Kennedy, Catholic Charities of Brooklyn.
- Dr. Eugene Callendar, President, New York Urban Coalition.
- Martin Morgenstern, President, Local 371, Social Services Employees Union.
- John Heyman, President, New York Foundation.
- Mrs. Elinor Gordon, President, Citizens Committee for Children.
- Rabbi Richard Sternberger, Associate Director, N.Y. Federation of Reform Synagogues.

The CHAIRMAN. Our next witness is Mr. Edwards.

If you will identify yourself for our record, we will be glad to recognize you.

**STATEMENT OF OZZIE EDWARDS, PRESIDENT, NATIONAL  
FEDERATION OF SOCIAL SERVICE EMPLOYEES**

Mr. EDWARDS. Thank you, Mr. Chairman.

My name is Ozzie Edwards, president of the National Federation of Social Service Employees, located in Washington, D.C., representing 17 unions of social workers—public assistance, new careerists, child-welfare and poverty workers—throughout the country. Our affiliates are in New York, California, Cedar Rapids, et cetera.

Mr. Chairman and members of the committee:

I am pleased to testify before your committee concerning the proposed Family Assistance Act. Today I represent, for NESSE, thousands of public-assistance, new-careerists, antipoverty and child-welfare workers throughout the Nation.

From the beginning, workers have denounced in concert that the system should be changed. But changed from what to what? That is the question.

The long-awaited plan of welfare reform has appeared draped in disguise as a possible starting solution to the gnawing problem of poverty in our affluent society.

Secretary Finch testified before this committee on October 15, 1969, and I quote:

"After analyzing many proposals offered by recognized experts within and without the Federal Government, we have concluded that a radical reform of public welfare is needed."

Did these experts, I ask, include the poor, those individuals who are caught in the cells of poverty? I firmly believe that the poor should be involved in the decisions and policies that determine and reshape their lives.

H.R. 14173, the Family Assistance Act of 1969—needless to say, the \$1,600 annual benefit for a family of four is insufficient in our northern and industrial States.

In a message filled with rhetoric, President Nixon revealed the following:

(a) Family assistance plan—a minimum income of \$1,600 annually for a family of four.

(b) Manpower training—programs at a cost of \$3 billion federally borne and eventually turning over 80 percent to the States and local governments.

(c) Food stamps—for unattached adults.

(d) Revenue sharing—returning \$500 million the first year and about \$5 million in 1976.

(e) Reorganization of the Office of Economic Opportunity.

Since his message, certain changes have occurred, namely an increase for disabled blind and old-age categories, in benefits from \$65 to \$90, and a partial abandonment in the food stamp replacement philosophy. This, certainly, is not enough.



## FAMILY ASSISTANCE PLAN

This plan is definitely work-oriented, with emphasis upon mandatory job requirements. Histrionic rhetoric fills the air, but the statistics accurately portray that most of the poor are unable to work. In January, of the 10 million people participating in the public assistance program, 80,000 were blind; 728,000 were permanently and totally disabled; 2 million were in the old-age category; 4,815,000 were children; 1,500,000 were mothers of preschool children; 500,000 were mothers of school-age children; and 80,700 were employed.

Ironically, it is an assumption that basically through training that jobs will be available to all. Mothers will be forced to leave their children and undertake training or do work which they do not desire or for which they are not suited. Is this an indication that family life will be strengthened?

Anyone with the least familiarity with family therapy is cognizant that the perpetrators of family instability are hunger, economic deprivation, illness, oppression, and racism. Proponents of this intended legislation state that 150,000 job-training slots will be allocated to the welfare poor. The work-incentive proposals do not address to the basic problem of the unavailability of decent-paying good jobs, thus making it invalid to discuss the potential labor force of the poor. Moreover, the intended legislation does not, as provided by the 1967 amendments, include revised minimum wages, thereby paving the way for the subsidization of employers who pay less than a living wage afforded by public moneys raised through taxes.

A salient aspect of this bill is the denial of assistance to families whose responsible heads are members of the Armed Forces. Specifically, the black, Mexican American, Indian, and Spanish American families will suffer, since the rate of pay based upon rank for non-whites is considerably lower than their white counterparts.

Further drawbacks are shown by the limited medicaid provisions for the poor. Although title XIX extends coverage under that program to the AFDC-UP category, it definitely does not encompass the total poor. A comprehensive and social-insurance program with health-care provisions should be shared by all.

## ADMINISTRATION OF THE PLAN

The Social Security Administration will become overburdened, and we are aware that the employment agencies, according to history, cannot cope with the diversified needs of the impoverished. Certainly, if the plan is accepted, the need for built-in social-service components into the aforementioned agencies will be ever more apparent.

I recently visited Lowndes County, Ala. This county is 80-percent black and 20-percent white. I noted with abject horror the living conditions of the poor people there—some without food, water, or electricity. We are all cognizant of the substandard payments in our Southern States, but what several fail to realize is the pattern of an existing archaic machinery that clearly paves the way for open discrimination against blacks. The welfare administration in this county is totally white, and yet we hear such dramatic speeches concerning how the new program will benefit the South.

It is then crystal clear that this system will increase benefits in the Southern States, a constituency that historically turns its back on the impoverished, especially the black poor. A contractual agreement between the States and the Federal Government should be initiated that would provide that the States come up to standards set by the Federal Government, moreover, that the States should, as required by legislation, pay their proportionate share as binded in this contractual agreement.

In a larger sense, welfare recipients in our metropolitan areas will receive considerably less, since the majority of the States in the northern and western areas provide for a slightly higher minimum standard. But, again, the \$1,600 per annum is insufficient.

In New York State the cutbacks have inflicted untold miseries and sufferings on the lives of the poor. As a result, one of our affiliates, the New York City Social Service Employees Union, Local 371, AFL-CIO, has reported that thousands have been forced further into poverty. It then becomes necessary for the Federal Government to provide the means to break down the doors of poverty with realistic financial solutions, and this Nation has the means to do just that.

Mr. Chairman, an estimated per personal allowance for one man under this new plan, including personal care and household supplies under the President's plan is 19 cents for Alabama and 28 cents for New York. This is ludicrous.

#### CONCLUSION

America's commitments to Southeast Asia, the military-industrial complexes, and the space-exploration program far surpass the commitment to the welfare poor. I do not applaud the consensus that the impoverished are shiftless and lazy. This myth has been created to appease too many far too long. Several persons have grown fat through exploitation of the poor. No, I do not applaud the consensus of those who, from their ivory palaces, fill the air with rhetoric concerning manpower training and jobs. The organized poor speak now with greater determination, and rightly so.

I urge this committee to carefully reshape this plan and make it meaningful for the impoverished, for as it stands it is still a continued mazed and strangled welfare bureaucracy.

#### RECOMMENDATIONS BY NFSSE

(1) The level of funding should be raised, especially in the metropolitan areas, to afford the necessary financial support and services for the poor and the disadvantaged.

(2) The administration should abandon the intent to force mothers of children over six to obtain employment.

(3) The public sector should create meaningful jobs at revised minimum wage standards with specific emphasis on entry levels, upward mobility, relevant training, and promotional advancement.

(4) Payment level for a family of four should be at least \$6,000, and provisions should also be made to protect the family against accelerated costs of living.

(5) A broad and comprehensive social-insurance program with health-care provisions should be included.



Thank you.

The CHAIRMAN. We thank you for coming to the committee, Mr. Edwards.

Are there any questions of Mr. Edwards?

If not, we thank you very much.

Mr. EDWARDS. Thank you.

The CHAIRMAN. Mr. Nolan is our next witness.

Mr. Nolan, if you will identify yourself for our record by giving us your name, address, and the capacity in which you appear, we will be glad to recognize you.

**STATEMENT OF ROBERT W. NOLAN, IN BEHALF OF FLEET RESERVE ASSOCIATION (NATIONAL EXECUTIVE SECRETARY), AIR FORCE SERGEANTS ASSOCIATION, ASSOCIATION OF REGULAR ARMY SERGEANTS, NAVY ENLISTED RESERVE ASSOCIATION, AND NATIONAL ASSOCIATION OF COAST GUARD CHIEF PETTY OFFICERS**

Mr. NOLAN. Mr. Chairman and members of this distinguished committee, I am Robert W. Nolan, the national executive secretary of the Fleet Reserve Association. I am here today as the spokesman for almost 92,000 career enlisted personnel of our armed services. As a retired chief petty officer of the U.S. Navy, I deem it a signal honor to appear here in behalf of:

the 73,700 sailors and marines of the Fleet Reserve Association,  
the 12,000 airmen of the Air Force Sergeants Association,  
the 1,000 sergeants of the Association of Regular Army Sergeants,  
the 3,100 Naval Reservists of the Naval Enlisted Reserve Association, and  
the 1,900 chief petty officers of the National Association of Coast Guard Chief Petty Officers.

The above personnel are either serving actively in or are retired from the military services. They truly represent the career enlisted cadre of our armed forces.

The enlisted personnel of the armed services applaud Representative Charles E. Bennett of Florida for introducing H.R. 13082. We sincerely and deeply appreciate this committee's prompt consideration of this important legislation. We are confident that your impartial and knowledgeable consideration of the proposal will result in the abolition of yet another unintentional inequity against military service personnel.

**SUMMARY**

The following is a summarization of the testimony presented in support of the provisions of H.R. 13082, sponsored by Representative Charles E. Bennett of Florida. The witness, Robert W. Nolan, National Executive Secretary of the Fleet Reserve Association, appeared in behalf of the Fleet Reserve Association, Air Force Sergeants Association, Association of Regular Army Sergeants, Naval Enlisted Reserve Association and the National Association of Coast Guard Chief Petty Officers.

(a) Prior to 1 January 1957 military personnel did not have Social Security coverage by virtue of military service.

(b) In 1956 the Congress amended the Social Security Act to include all military personnel effective 1 January 1957.

(c) Under the current law any military service performed after 1 January 1957 cannot be credited towards total Federal service after the annuitant reaches age 62 for purposes of retirement under the Civil Service Retirement Act.

(d) This penalizes military retirees who establish a second career as a civil servant and subsequently combines military and civilian Federal service for retirement under the Civil Service Retirement Act.

(e) Under the current law the Federal government will have to needlessly spend incalculable sums to correct the government records of military/Civil Service retirees.

(f) The provisions of H.R. 13082 would amend Section 202 of the Social Security Act to allow a military retiree to voluntarily waive his military Social Security credits for the purpose of combining his military/civilian Federal service for retirement.

(g) The language of H.R. 13082 will solve the problem for the future no matter what applicable amendments are made to the Social Security Act or the Civil Service Retirement Act.

(h) Therefore, the above stated five Associations fully endorse the enactment of the provisions of H.R. 13082.

#### MILITARY SERVICE AND SOCIAL SECURITY COVERAGE

Prior to January 1, 1957, military personnel did not have social security coverage by virtue of their military service. During World War II all personnel serving in the armed services were given gratuitous social security coverage equal to and based upon a salary of \$160 per month. However, career military personnel who subsequently retired from military service and whose retirement is based upon service during World War II cannot use the gratuitous social security credits towards social security annuity benefits.

In the years following World War II, the United States position as the free-world leader demanded that the Selective Service System be continued. Therefore, hundred of thousands of Americans fulfilled their obligation of military service. They were not covered by the Social Security Act. Since they could not be truly classed as military careerists, they were being denied the social security coverage they would have normally earned in civilian employment. In 1956 the Congress recognized this inequity and amended the Social Security Act to include all persons serving on active military service. The new law was effective as of January 1, 1957, and as of that date military personnel began to contribute to social security and gained benefits retroactive to January 1, 1951. Needless to say, this was a most beneficial and progressive solution to the problem. But I remind you that even though the law benefits the career military personnel, it was not enacted primarily for their benefit.

#### THE PRESENT PROBLEM

In today's world it is economically mandatory that enlisted military retirees enter the civilian labor market promptly upon military retirement. Department of Defense figures reveal that the average enlisted man retires at age 42 with 21 to 22 years of service. Under laws enacted by Congress, they may be employed by the Federal Government. In many instances this is a most practical way for the enlisted military retiree to establish a second career. Once he is employed by the Federal Government, he may after (1) attaining a minimum of 30 years combined Federal service, (2) reaching age 55, and (3) agreeing to waive his military retired pay, retire under the provisions of the Civil Service Retirement Act.



This practice is often followed by military retirees because of the more liberal retirement benefits afforded to civilian Federal retirees. However, for the military retiree who served on active duty after January 1, 1957, such a practice could prove most unwise in the long run, because under the Social Security Act he cannot after age 62 credit any military service performed after January 1, 1957, toward his civil service retirement.

Let us take a hypothetical case. A man enters the U.S. Army on February 1, 1947. He serves 20 years and retires on February 1, 1967. He contributed to social security for 10 years and 1 month of his military service. Upon military retirement he gains employment as a civilian Federal employee. He works for 10 years as a civil servant. This gives him 30 years of combined Federal service, and he is 55 years of age. He waives his military retired pay and retires under the provisions of title 5, United States Code. He is treated equitably until he reaches age 62, at which time the Social Security Administration informs the Civil Service Commission that he has 10 years and 1 month of social security credits which cannot be credited toward his combined Federal retirement.

Therefore, under existing law, the Civil Service Commission must reduce his total Federal service by 10 years and 1 month and recompute his annuity. Even though he will also receive his earned social security annuity based on his creditable military service, he will receive less total retirement under this dual system.

In the just stated example I have cited the ideal situation. We are all aware that the mills of Government administration grind exceedingly slow. We feel that the more common result will be that the Social Security Administration will be unable to promptly notify the Civil Service Commission of these cases. Thus, the first notification the retiree may receive of this change in his annuity will be a notice informing him that he has been erroneously overpaid for a stated period of time and must repay to the Government an amount that is to him in retirement a staggering sum of money.

Consider, please, the resulting correspondence, investigation, reply correspondence, and correction to Government records that will have to be accomplished to correct each individual case under the current system. Multiply the expense of resolving one case by hundreds of thousands over the years, and you can readily envision the monumental cost the Government will bear in compliance with the current law.

#### THE PROVISIONS OF H.R. 13082

The provisions of Mr. Bennett's legislation, H.R. 13082, would spare the Government this needless expense and correct the problem in a simple and fair manner. The language of his bill, if enacted, will allow the military retiree to voluntarily waive his military social security credits for the purpose of combining his military and civilian Federal service. It is as simple as that.

Another advantage of H.R. 13082 is that its language resolves the issue for the future. No matter how the Social Security Act or the various Federal retirement systems may be changed in the future, the provisions of H.R. 13082 would continue to apply.

Mr. Bennett's simple amendment to section 202 of the Social Security Act offers equitable treatment to those affected and will save the

Government incalculable expense in administrative costs. Therefore, the five associations I am representing urge this committee to adopt and fully support the provisions of H.R. 13082.

Mr. Chairman, this concludes my statement. We sincerely appreciate the opportunity to present the enlisted man's view on this vital legislation. The fact that under our democratic form of government we can do so explains why the members of our associations have devoted the majority of their adult lives in service to our country.

On behalf of our 92,000 members, I thank you.

The CHAIRMAN. Thank you, Mr. Nolan, for bringing your statement to the committee.

Are there any questions of Mr. Nolan?

Thank you so very much.

Mr. NOLAN. Thank you.

(An attachment to the statement follows:)

### THREE RETIREMENT CHECKS MAY ADD UP TO LESS THAN EXPECTED

(By William J. Miller, Branch 182)

The following article by Shipmate Bill Miller (Br. 182) gives a working-level explanation of the interplay among: Navy retired (or retainer) pay, Social Security old age payments, and Civil Service retired pay. It applies not only to the retired men or Fleet Reservists now working for the Federal Government, but also to any active duty shipmates who may be thinking about working for the government.

"It is a fine thing for a retired military man to be able to look forward to receiving another 'retirement' check at age 62," as the author points out. However, for those working for the Federal Government there may be a hidden kicker in the matter of Social Security eligibility—a kicker that could reduce the total income drastically.

For the many retired military men who are now Civil Service employees of the Federal Government, there is a rather confusing area in the overall subject of tying together three types of service and their related retired (or old age) payments. Namely: military service and retired pay. Civil Service employment years of service and related retired pay, and Social Security covered employment and old age payments. By law and regulation, these all can relate to one another.

#### THE CIVIL SERVICE QUESTION

Taking the case of a man who retired after 20 years' military service and is *now* a Civil Service employee. He is drawing both Civil Service pay and his military retired pay. At some point in the future he will have attained enough combined total federal service and Civil Service (CS) years of service to qualify for CS retirement. In most cases it will be to his advantage to yield up his military retired pay and count those military years toward his CS multiple. In this way he would get a considerably higher monthly check than a combined military retired check and CS retired check. Works out that way.

However, only by making the computation for his own particular case can a person determine whether it is better to "combine" as above—or to take the alternative. This is to continue to draw the military retired pay—and start from "scratch" with his CS pay. In other words, to disregard all his years of military service (which he would already be using for his military retired pay) and use the applicable CS formula for CS years and average pay. In cases where the CS grade is GS-5 or below (or equivalent for blue collar workers) it seems to be advantageous to use this second method.

#### THE SOCIAL SECURITY QUESTION

The picture would be fairly simple if Social Security matters did not enter. But the fact is that in 1940 a limited form of Social Security (SS) coverage entered for military men; and on 1 January 1957 there began full coverage for military men.



The question is whether to try to include any past (or future) SS coverage. Here's some background. If a person retired before 1957 and (for some reason) was not drawing military retired pay, he would be credited with \$160 a month SS coverage from 16 September 1940 to the date he left the service. (But if he draws retired pay, he cannot be credited with that SS coverage for those years.)

Retiring after 1957 the picture changes. He receives SS credit of \$160 a month from 1 January 1957 back to 1 January 1951—even though drawing retired pay. He also, of course, receives SS credits of up to \$1800 of his active service pay from the 1957 date to the date he retires from the military.

However, he would not get the "back to 1951" monthly credits of \$160 if he were to receive Civil Service retired pay. Since he would not (otherwise) be eligible for the Social Security old age payments until age 62 anyway—while his CS retired pay (no doubt much larger) could start coming in as many as 12 years earlier—he would gain considerably by taking the CS retired pay.

In brief—Generally it is better to try to combine years of military service with CS employment toward CS retirement pay. Waiving military retired pay (done about two months before the latter type pay is due) does not separate a man from his retired (or fleet reserve) status, and he retains all the other benefits.

#### SOCIAL SECURITY COVERAGE

The key date in this whole matter is 1 January 1957. It's the date Social Security "full coverage" began for Armed Forces members. For most persons now reading this article, there is an eligibility test for whether they would or would not be qualified to start drawing Social Security Old Age payments at age 65, or age 62 for somewhat reduced payments.

The test is one of *quarters* (of three months) of Social Security coverage. The older the man, the less needed. It depends upon when he will reach age 65. Roughly, if it is in 1967, it is 16 quarters; 1975, it is 24 quarters; 1983, it is 32 quarters; and 1991 (or later) it is 40 quarters, the maximum needed.

Applying his quarters to an average of earnings for a given period will indicate the size of his monthly Old Age Social Security payment.

#### THE SOCIAL SECURITY KICKER

It is a fine thing for a retired military man to be able to look forward to receiving another "retirement" check at age 62. For the man now on active duty—or who retired recently—there is a hidden kicker. When he becomes eligible for the Social Security Old Age Payment (which implies his reaching age 62—but does not mean receiving the payment, merely being eligible), *the years of military service from 1 January 1957 to the date of his military retirement cannot be counted toward Civil Service retirement.*

Those years will not be totally wasted years as far as "retirement" pay is concerned. For if eligible for SS Old Age payments at age 62, it's a simple matter to take steps to start receiving the monthly SS check. However, those very years (1957 to time of military retirement) will in all likelihood be much more valuable income-wise if used to compute CS retirement pay than they would if used for Social Security Old Age payments.

At present there are no provisions for waiving eligibility. Even though the drawing of a SS Old Age check of, say, \$35 a month—or just being eligible for it—may mean that the Civil Service retired pay would be decreased in the amount of \$100 a month, there can be no waiving or escaping the SS eligibility, much as a person might like to.

(One lesson here would be to try to hold off gaining any further SS coverage.)

The author has no knowledge that Civil Service, Defense Department, or Social Security officials are aware of the above situation. It certainly is one that bears looking into. Before long there will be little point in a career serviceman's entering Civil Service after retirement, for he will not have the benefit now enjoyed by most retired military men in Civil Service—namely, combining his years of military service with his years of Civil Service to draw a considerably increased retired check.

Instead, he would end up with two much smaller monthly checks (Civil Service and Social Security)—which would not add up to what he would otherwise get.

(Reprinted from the December 1965 issue of Naval Affairs, the Fleet Reserve Association's national publication.)

The CHAIRMAN. Dr. Beasley, if you will identify yourself for the record by giving us your name, address, and the capacity in which you appear, we will be glad to recognize you.

**STATEMENTS ON BEHALF OF THE PLANNED PARENTHOOD  
WORLD POPULATION, BY DR. JOSEPH D. BEASLEY, CHAIRMAN,  
EXECUTIVE BOARD, AND FREDERICK S. JAFFE, DIRECTOR, CENTER  
FOR FAMILY PLANNING PROGRAM DEVELOPMENT**

Dr. BEASLEY. Thank you, Mr. Chairman.

My name is Joe Beasley. I am a professor of population and public health at Harvard University and also the director of the Tulane Center for population and family studies at Tulane University in New Orleans.

It is a particular pleasure for me to appear again before this committee, because I appeared in 1967, concerning testimony for title V of the legislation on the family-planning problem that we are talking about this morning.

Mr. Chairman, members of the committee, in the past few months the problems of excessive population growth and the provisions of family planning services to low-income women have become popular topics addressed by world leaders and made the subject of a message to Congress by the President. But long before this became a widely discussed and largely undisputed issue, it was this committee that recognized the need for a Federal role in assuring the right of every family to limit and space their children and provided the first major meaningful basis for the provision of federally subsidized voluntary family planning services to low-income American women. As a matter of fact, I am sure that the committee will be interested to know that the program and the data on which I will report this morning was made possible by a research and demonstration grant authorized by this committee under title V.

The 1967 Social Security Amendments contained two landmark provisions in this field: The creation of a family planning project grant program under title V and a mandate to State welfare departments to offer and provide services not just to those receiving cash assistance but also to those whose income is so marginal that they hover at the edge of dependency. In addition, the title XIX program which provides financial support for basic medical services could be expected to provide some support for family planning services.

I have here with me this morning Mr. Frederick S. Jaffe, director of the Center for Family Planning Program Development of Planned Parenthood World Population, who will discuss in some detail the actual functioning of these potential channels of support.

I will limit my remarks, therefore, to some general observations which may be of value to this committee in its deliberations. First, of the three programs mentioned, only the title V project grant program—which became operative in fiscal year 1969—has achieved any scope and visibility.

Second, we must recognize that the title V program is statutorily limited which will need to be enlarged considerably if it is to have any substantial impact on the availability of family planning to the 5 million impoverished American women who need them. We know



that strong interest exists at the local level and that, with the improved, tightened administrative mechanisms which the Department of Health, Education, and Welfare has recently established, the expansion of family planning services under this program could be reasonably swift and efficient. Third, the provisions of title XIX and particularly title IV will need to be improved before they can be meaningfully utilized for the financing of family planning services. Finally, that these two programs will need to be closely coordinated with the project grant program if the broad availability of services to the poor is to be insured.

That these services are needed requires little more documentation. A recent study indicates that only an estimated 14 percent of the medically indigent families had access to organized family planning services in fiscal year 1968. That the benefits of family planning services are great for the individual family and for society need not be demonstrated to this committee. There is probably no other relatively low-cost medical or social service which has such high returns in terms of improved maternal and child health, availability for work or training, economic mobility, self-sufficiency and well being. That these services are eagerly utilized by poor families and that they are effective, I can document through our own program's experience and through the studies and evaluations which Family Planning, Inc.—an independent nonprofit corporation associated with a number of Louisiana community agencies and with several universities.

We began our program in a rural parish in northern Louisiana where family planning services had never been offered to indigent families except through some dedicated, overworked private practitioners. We established in Lincoln Parish a model program set up to reach all medically indigent women in their childbearing years. In 3 years of operation, 75 percent of the total potential caseload has utilized the program. Of the 615 women enrolled, 36 percent did not have a male family head living in the home and a significant proportion were, of course, on welfare. After 3 years, 74 percent of those enrolled in the program are still utilizing the service.

This is evidence of an overwhelming response since, in this patient age group, there can be expected to be a number of planned, wanted pregnancies. In comparison with the four surrounding parishes which have small, routine family planning programs, the introduction of a tightly organized—and I must add—well-financed program, has had spectacular impact.

In the 3 years of operation of the program, the number of indigent births in Lincoln Parish showed a decline of 44 percent; in the surrounding parishes, 25 percent. The number of illegitimate births among the poor dropped by 11 percent in the other four parishes, but 34 percent in Lincoln Parish. Perhaps most significantly, all illegitimate births to women who have had at least one previous pregnancy declined 12 percent in the surrounding parishes and 50 percent in Lincoln Parish. The percentage change was even higher when only illegitimate births occurring among the poor are considered: In four years—1964 to 1968—the number of such births declined by 55 percent (and by 24 percent in the control parishes).

Our program has since expanded, with our first emphasis being placed on the development of a comprehensive network of services in

New Orleans. We are attempting to develop a statewide program to reach the more remote areas of the State. We know from our experience that the job can be done. We know also that local resources to finance adequate programs are insufficient or totally lacking. We must turn to the Congress and to this committee, in particular, to appeal for support. Without this committee's early enlightened interest, the demonstration program which we have just discussed could not have gotten started. We feel sure the results which we have achieved can be duplicated and programs expanded on a nationwide basis if only Congress provides sufficient impetus and financial support.

I would now like to introduce to this committee Mr. Frederick Jaffe, director of the Center for Family Planning Program Development of Planned Parenthood—World Population, who will discuss, in particular, the roles of title XIX and title IV in the provision of family planning services.

Thank you.

The CHAIRMAN. In spite of what some people have said, there was some good, then, in the amendments of 1967?

Dr. BEASLEY. Well, sir, I think the patients who received these services certainly think so.

The CHAIRMAN. Mr. Jaffe, if you will identify yourself for the record, we will be glad to recognize you.

**STATEMENT OF FREDERICK S. JAFFE, VICE PRESIDENT, PLANNED PARENTHOOD WORLD POPULATION; DIRECTOR, CENTER FOR FAMILY PLANNING PROGRAM DEVELOPMENT**

Mr. JAFFE. My name is Frederick Jaffe. I am vice president of Planned Parenthood Center for World Population and director of the Center for Family Planning Program Development.

Mr. Chairman and members of the committee, the provisions of title IV and V of the Social Security Amendments of 1967, combined with those of title XIX, the medicaid program, constitute a solid base from which this Nation could serve a major portion of the five million low-income women who want and need but do not have access to family planning services. Some progress is being made toward this goal through the family planning project grants under title V, but it alone, as the committee recognized, is not sufficient and titles IV and XIX, which should be complementary to title V, have been severely hampered by some of the provisions of the law and rendered inoperative by lack of administrative leadership and effective operational mechanism.

I would like to examine briefly the way these two programs have functioned. First title XIX:

Since private physicians' services, outpatient hospital services and laboratory procedures are covered under title XIX, it was reasonable to expect that a major component of family planning care should be financed through this program.

Earlier this year the Center for Family Planning Program Development surveyed the 37 States and two of the three Territories with approved title XIX plans underway in 1968. They were asked whether the number of patients receiving family planning services through medicaid could be determined or estimated. They were further re-



quested to provide such numbers and estimates for fiscal year 1968. The results of our survey indicate that the title XIX program plays only a minimal role in the financing of family planning services for the medically indigent population in need. Less than a quarter of the States surveyed could provide even an estimate of the total number of medicaid patients who had received some family planning services in 1968.

The total number they estimated came to less than 19,000 patients.

State record keeping systems are inadequate and Federal requirements for adequate reporting are still lacking. As you know, the Bureau of the Budget estimates that \$9.5 million was spent for family planning under this program in fiscal year 1968, and estimates \$13 million for fiscal year 1969 and \$17 million for fiscal 1970. In view of the findings of our study, these estimates can not be supported, are grossly inflated, and gravely misleading.

I would like to present, if the committee would wish, a copy of the preliminary manuscript of the report of this study which was reviewed by a committee of our advisory council consisting primarily of public welfare people, chaired by Norman Lourie of the Pennsylvania State Welfare Department. The other members included Dean Dumpson, who testified before you a short while ago; Jack Goldberg, the New York City Welfare Commissioner; Gus Justice of the American Public Welfare Association, and Dr. Donald Schwartz, the chairman of the department of obstetrics and gynecology at Harlem Hospital.

I have a copy and we could make it available.

The CHAIRMAN. It doesn't appear to be too voluminous to include in the record. Without objection, it will be included in the record at the end of your statement.

Mr. JAFFE. The inability of the title XIX program to function effectively for family planning services appears to be due to fundamental structural inadequacies which apply to the provision of all preventive health services. The cost of the program has forced the States to restrict coverage and eligibility to acute and emergent conditions. In addition, the delivery of present health services, such as family planning, puts an undue burden on busy private practitioners who cannot be expected to provide the supporting services such as education, outreach and recordkeeping essential to an effective family planning program.

In fact, our survey indicates that the involvement of private physicians in the provision of family planning services through medicaid appears minimal. It would seem more efficient in terms of the use of scarce medical manpower, more realistic in terms of the services provided to individual patients to provide care in organized programs and clinics. We believe that financing mechanisms and policies should be developed which encourage such arrangements.

Now let's turn to title IV. As you know, the requirement in title IV that each State institute a program to strengthen family life and reduce the incidence of illegitimacy is a strong mandate for Federal and State action. The most basic, if obvious, requirement of such a program is the provision of medical contraceptive services. Since these services, if available at all on a charity basis, are accessible only to a minute portion of those in need, the committee recognized that services

would need to be purchased. Indeed, the contract provisions contained in title IV, made possible the development of an adequate network of services and the mobilization of local resources. To our knowledge, this mechanism, specifically provided in the law, has not been used in any State in the country.

Perhaps due to their traditional role, State and local welfare departments continue to assume that their responsibility may be discharged by information and referral activities only. Although these functions are necessary and are an integral part of the well-developed program that Dr. Beasley has described, we must realize that they are not meaningful unless they are available or accessible to the clients. You need someplace to refer the woman to if you are going to do the referrals.

Although the SRC regulations state that medical services must be secured, the agency has made no effort to help the States meet the legislative administrative requirements. For most State welfare departments, securing medical family planning services is a new and untried endeavor. Many tend to view title XIX as the only financing mechanism available to them for the provision of family planning to the medically indigent and this, apparently, has been encouraged by the social and rehabilitation service. The States need clear and consistent interpretation of the Federal requirements and concrete technical assistance in developing programs to meet the mandate.

Finally, and perhaps most importantly, it must be recognized that most States find it practically impossible to secure the 25 percent cash matching required under title IV. To make title IV a viable vehicle for the support of family planning services, the committee should consider the following changes:

1. Provide for a matching ratio of 90-10, with the 10 percent State contribution being possible on an in-kind basis. As you know, this is provided but only for day care in the administration's welfare proposal and we suggest that you consider extending that to family planning services as well. In fact, we would go further and encourage full Federal funding in the long run since we don't believe that the provision of family planning services should be made dependent on the State's ability to pay.

2. We would urge you to include explicit legislative language to mandate that medical contraceptive services be provided to all title IV recipients who desire such services.

3. Authorize the creation of a special SRS staff to coordinate the family planning aspects of titles IV and XIX. This staff would also have responsibility for administering a meaningful family planning reporting system keyed to the actual provision of medical services rather than to the customary reports of referrals for service.

#### THE ADMINISTRATION'S WELFARE REFORM PROPOSAL

Our experience in the provision of services to the poor families leads us to endorse some of the principles of the administration's welfare reform proposal. The adoption of national standards for benefits, the establishment of a minimum national family income and the extension of the coverage to include the working poor are steps in the right direction.



As a matter of national policy, we believe it is shortsighted to limit or restrict the availability of family planning and other supporting social services to those who are on public assistance. It is unjust to the individuals who are struggling to avoid dependency and to maintain family stability and hope. However, there is nothing in the administration proposal to indicate that family planning services would in fact be expanded through the social security titles for either those on welfare or for the working or non-working poor. It is obvious that present programs are not meeting the need and the reform proposal fails to remedy or even acknowledge a deficiency that is basic to the welfare and dependency problem.

The President has declared that "no American woman should be denied family planning assistance because of her economic conditions." We hope that the Congress will truly implement the exercise of that right as one of the basic tenets of our overall Social Security System.

(The report of the study submitted by Mr. Jaffe follows:)

PUBLIC POLICY UNIT, CENTER FOR FAMILY PLANNING PROGRAM DEVELOPMENT, THE  
TECHNICAL ASSISTANCE DIVISION OF PLANNED PARENTHOOD WORLD POPULATION,  
NOVEMBER 1969

FAMILY PLANNING, MEDICAID, AND THE PRIVATE PHYSICIAN—REPORT OF A SURVEY

#### SUMMARY OF FINDINGS

1. As of FY 1968, the Title XIX program appears to play only a minimal role in the financing of family planning services to the medically indigent population in need.

2. Eligibility—among adults 21 to 64—is generally limited to recipients of public assistance.

3. In the few states which provided coverage to the non-welfare medically indigent, income ceilings were often too low to offer a realistic definition of those who cannot afford private medical care.

4. Various administrative decisions as to covered services and sources of care further restricted the availability of family planning services to those eligible under the program.

5. Less than a quarter of the states surveyed could provide even an estimate of the total number of Medicaid patients who had received some family planning services in 1968. State recordkeeping systems remained inadequate and federal requirements for adequate reporting were still lacking.

6. The fragmentary estimates available cannot substantiate the Federal projections of expenditures under Title XIX (and title IV). These expenditures (and the level of services which they infer) appear grossly inflated.

7. Where information was available, the estimate of patients who had received family planning services in FY 1968 correlated very strongly with the number of public assistance recipients provided services at organized family planning clinics operated by Planned Parenthood.

8. The involvement of private physicians in the provision of family planning services through Medicaid appears minimal.

9. Other data suggests strongly that  $\frac{3}{4}$  of all AFDC recipients who received family planning services secured them from organized public and private clinics; a maximum of 50,000 may have received care through private physicians in FY 1968.

10. Since the Title XIX program has been curtailed in the period subsequent to the Study Year, it seems unlikely that the provision of family planning under Medicaid can be expected to improve.

#### RECOMMENDATIONS

The failure of Medicaid to play a significant role in the provision of family planning services for medically indigent Americans suggest the following courses of action in the next several years to achieve the objectives set forth in the President's message of July 18, 1969:

1. For the foreseeable future, the expansion of subsidized family planning services will have to continue to depend primarily on project grants which

enable organized programs to be established in low-income neighborhoods. This implies the necessity for a substantial increase in the family planning project funds available through DHEW and OEO.

2. Any general health care financing mechanism which may supercede Medicaid, to be effective, will require structural changes in the methods of providing care. Effective family planning services require a strong educational component and systematic arrangements for follow up and continuing medical supervision over an extended period of time. It is unrealistic to assume that many private physicians, practicing in low-income areas under difficult conditions can provide these services which are time consuming and not essentially medical in nature. It would seem more efficient in terms of the use of scarce medical manpower, more realistic in terms of the demands placed on private physicians and more effective in terms of the services provided to individual patients to provide care in settings which permit the efficient use of medical personnel and adequate structuring of the supportive educational and follow up services. Financing mechanisms and policies should be developed which encourage such arrangements.

3. At this time, Title IV which contains a strong legislative mandate in relation to the provision of family planning services and which can explicitly contract for such services, should be considered as an alternative financing mechanism to Title XIX. Medicaid has become, in fact, largely a "welfare" program (both in terms of eligibility and administration), and therefore both coverage and locus would be generally unaffected (particularly since Title IV services can be extended well beyond the basic welfare caseload). In addition, in most cases, the Federal matching arrangements (under Title IV) are considerably more favorable for the States. State welfare departments could use Title IV-A funds to contract with public and private vendors of care for the establishment of organized family planning programs in designated areas. Reliance on Title XIX to carry out the family planning mandate of the 1967 Social Security Amendments cannot be justified on the basis of the experience thus far; Title IV-A, on the other hand, offers the possibility of a financing mechanism which can be adopted to the requirements of delivering a preventive health service such as family planning in low-income areas. At this writing, however, Title IV-A remains almost entirely unutilized by most states.

4. The basic requirements of a health insurance program must include:

(a) Adoption of national standards for eligibility at a level which realistically defines those who cannot afford private medical care.

(b) Adoption of national standards for the services to be offered, coupled with a reporting system which monitors whether or not the services are offered and accepted.

(c) Reasonable and realistic levels of payment or fee schedules must be adopted and assured for the different elements of a family planning service which will adequately compensate providers of services time and skills required.

(d) Administrative regulations and procedures which facilitate the use of funds to finance the establishment of facilities and organized programs in areas which have inadequate existing service resources; this implies policies which encourage contractual arrangements for designated services from public and private suppliers, and which make reimbursements available to all qualified suppliers.

(e) An active program to inform eligible patients of their right to receive family planning care and participating physicians and health programs of their obligation to make services available.

#### INTRODUCTION

The Medicaid program initiated by Title XIX of the Social Security Amendments of 1965, was intended to make comprehensive medical services available within a period of 10 years to all persons regarded as unable to pay for them, according to Federal and State standards and definitions of "medical indigency".<sup>1</sup> The States were required to have a Medicaid program in operation by January 1, 1969<sup>2</sup> or to forfeit the federal funds previously available to them under the Welfare Medical program. As a first step, the States were expected to provide

<sup>1</sup> As a result of the Social Security Amendments of 1967, a Federal income limitation was established at 133½ percent of the actual state payment level under the AFDC program. 2.

<sup>2</sup> As a result of 1969 amendments to the Tariff Act, this date has been postponed by two years.



five basic services, on a uniform basis,<sup>3</sup> to all recipients of cash assistance under the federally aided programs of Aid to the Blind (AB), Old Age Assistance (OAA), Aid to the Permanently and Totally Disabled (APTD) and Aid to Families with Dependent Children (AFDC). The States could then proceed, at their own pace, to extend eligibility and services progressively to other indigent groups until complete coverage was achieved in 1975.<sup>4</sup>

The five basic services mentioned above were defined as: Inpatient and outpatient hospital services, physicians services (in the office or elsewhere), laboratory and X-ray services and skilled home nursing. The States were also encouraged to extend the scope of services beyond the "basic" group and provide clinic services, drugs and other categories of services. Since family planning services are commonly defined as the provision of "medical contraceptive services (diagnosis, treatment, supplies and follow-up) social services and educational services",<sup>5</sup> it appeared that Medicaid had the potential for financing provision of the central medical care component of the service (e.g. medical examination and prescription, cancer detection and other lab tests and, perhaps, the necessary contraceptive drugs) to the medically indigent population in need. However, a survey undertaken in 1967 by Planned Parenthood-World Population indicated that, at least in the early stages of development, the program's potential has hindered sharply limited by eligibility and administrative restrictions.<sup>6</sup>

Early in 1969, the Center for Family Planning Program Development (CFPPD) undertook a new survey to 1) update the 1967 study to determine the extent to which family planning services are being provided, under Medicaid, to medically indigent women; 2) attempt to document Federal Budget estimates of expenditures incurred for family planning services under Title XIX and Title IV (Public Assistance) of the Social Security Act; and 3) supplement a broader national study of family planning needs and services undertaken by CFPPD under contract with the Office of Economic Opportunity. This study<sup>7</sup> estimates the current level of family planning services through all identifiable organized programs in each U.S. county. The Medicaid survey attempts to provide an estimate of the extent to which family planning services are provided to the medically indigent through private physicians and Medicaid.

#### THE SURVEY

In March 1969 forty-three states and territories with approved Title XIX plans (Table I) were surveyed to determine eligibility requirements, services offered and approved providers of services. Replies were received from 42 separate jurisdictions (Appendix I). The state agencies administering the programs were asked whether the number of patients receiving family planning services through Medicaid could be determined or estimated (and the instruments or methods through which such a determination or estimate could be made, e.g. invoice or billing systems, reports, etc.). They were further requested to provide such numbers and estimates, whenever available, for Fiscal Year 1968 (July 1, 1967 to June 30, 1968). At that time, only 37 states (and three U.S. territories—Guam, Virgin Islands and Puerto Rico) had Title XIX programs operating for all or part of the 1968 fiscal year. All 37 states and two of the three jurisdictions answered the questionnaire.

For the purposes of this survey, as for the OEO study mentioned above, family planning was defined as "any medical means by which conception is prevented or postponed." Medicaid patients in need of family planning services are defined as all eligible women in the child-bearing years (aged 15–44) who are not sterile,

<sup>3</sup> As a result of the 1969 amendments, the States may obtain a dispensation from this provision under certain circumstances.

<sup>4</sup> As a result of 1969 amendments, the States may obtain a dispensation from this provision under certain circumstances.

<sup>5</sup> Social and Rehabilitation Service, Regulations on Service Programs for Families and Children, Title IV, Parts A & B of the Social Security Act, *Federal Register*, January 28, 1969, page 1356.

<sup>6</sup> F. S. Jaffe, "Family Planning and the Medical Assistance Program", *Medical Care*, January-February 1968.

<sup>7</sup> Office of Economic Opportunity, *Need for Subsidized Family Planning Services, United States, Each State and County, 1968*, Government Printing Office, 1969.

pregnant or trying to achieve a wanted pregnancy; the number in need is approximated from Census data by using the Dryfoos-Polgar-Varky formula (Appendix II). Of the four "categorical" groups automatically covered in a Medicaid plan, more than nine out of the ten indigent women under 44 are to be found in AFDC households. To simplify the analysis, therefore, we exclude those persons who are temporarily or permanently disabled or blind and, of course the aged.

#### ELIGIBILITY AND COVERAGE

The Title XIX legislation requires that all programs include the *categorically needy*, those persons receiving financial aid under the four categorical public assistance programs: Aid to Families with Dependent Children (AFDC), Aid to the Permanently and Totally Disabled (APTD), Aid to the Blind (AB) and Old Age Assistance (OAA). The programs *must* also include the *categorically related needy*, those persons who would qualify for the four categorical public assistance programs except for failure to meet state residence requirements or other state imposed eligibility conditions, and everyone under age 21 who, except for a state age or school attendance requirement, would be eligible for AFDC. Individuals who would be eligible under one of the Public Assistance categories if the state eligibility requirements were as broad as the Federal legislation permits *may* also be included in the categorically related needy group.

The programs *may* include the *categorically related medically needy*, those persons who could meet the social or physical characteristics and the income level to qualify for a categorical public assistance program—AFDC, APTD, APB or OAA—but do not receive welfare payments, and those persons who have the social or physical characteristics to qualify for a categorical public assistance program except for having income and resources large enough to cover daily living expenses, but not adequate to pay for medical care. Federal cost-sharing (50% to 83%) is available only for services rendered to these three groups.

Finally, the programs may include the *noncategorically related medically needy*. Medical services, if provided to this group, are paid for entirely by the state since no federal sharing of medical costs is available for individuals in this category. The noncategorical group may consist of persons who are receiving or are eligible for general assistance under a state-wide program or persons who do not qualify for categorical public assistance programs and who have income and resources large enough to cover daily living expenses, but not adequate to pay for medical care.

Table 2 classifies 43 state and territorial Medicaid programs by their coverage. Eligibility in most states was found to be limited to a relatively small portion of the medically indigent population. Coverage encompasses mainly the "categorically needy and categorically related needy", and occasionally the "categorically related medically needy". As of March 1, 1969, seventeen states cover only the first group, while fifteen others included the categorically related medically needy. Only eleven states extended eligibility to the "noncategorically related medically needy", but those eligible are generally defined as children under twenty-one, and, in some cases, "general or home relief" recipients. With the exception of New York (where coverage has since been curtailed), very few adults in the 21 to 64 age groups were included in the coverage.

Even in those states which covered either the categorically related or noncategorically related medically needy, the definition of medical indigency employed was very limited; the median eligibility ceiling was \$3,480 for a family of four, and half the states had income ceilings below the Federal standards defining poverty (Table 3).

In May 1968, in all Medicaid programs, Medical Vendor payments were made on behalf of 550,000 adults who were eligible as members of families with dependent children under 21; of these, 420,000 were also recipients of cash assistance.

In the 12 states which in addition then covered the noncategorically related needy or medically needy, payments were made on behalf of 285,000 adults aged



21-64; of these, 236,000 were not receiving cash assistance, including 219,000 of whom were to be found in the New York State program which has since been curtailed to include only adults facing emergency or catastrophic illness.

Medicaid coverage is thus largely limited to welfare recipients. Previous studies indicate that only about 15% of the women are in need of subsidized family planning services.<sup>8</sup> Eligibility restrictions alone, therefore, appear to rule out the likelihood that Medicaid is currently providing services to any significant proportion of those in need of family planning. This conclusion seems to be reinforced by the restrictions on services offered under the program even to those who are eligible.

#### MEDICAL SERVICES

Medicaid is a medical reimbursement system by which certain suppliers of health services are paid directly by the state or its fiscal agent for services supplied to eligible recipients. States may include 14 specific medical services in their Medicaid plan and any other medical care or any other type of remedial care recognized under State law. Our analysis concentrates on the five services most directly applicable to family planning: *physicians', outpatient hospital, clinic services, laboratory fees, and drugs.*

All states reported offering physicians' services, outpatient hospital and laboratory services (Table 4). However, these services are often limited by local restrictions such as the Maryland requirement that Medicaid eligible use Health Department services whenever available and seek care from a private physician only with the authorization of the local health officer. Georgia limits all present services to those necessitated by illness and injury. In Louisiana, physicians' services are limited to one visit per month for "on-going treatable illnesses." In Oklahoma, outpatient hospital services are restricted to emergency care and lab services limited to diagnosing the "nature and severity" of an illness or injury. In reporting on the nature of the physicians services provided—"Treatment", "Diagnostic" or "Preventive"—it is significant that eleven states reported providing no preventive care (Table 5).

Clinic services were included in 29 of 43 plans and drug reimbursement in 39 of 43 plans. However, local restrictions, again, narrowed the actual availability of services. For example, Maine limits drug reimbursement to those drugs which cannot be self administered; Texas has the same drug limitation and also requires that they be administered incident to a physician's professional services to an outpatient; California, Michigan, Wisconsin and Pennsylvania restrict drug reimbursement to certain eligible groups. Similarly, clinic services, when authorized, may be limited—as in Texas—to the payment of the clinic registration fee, or—as in Oklahoma—to teaching hospitals under contract with the Department of Welfare (Table 6).

In short, a typical tabular summary of the medical services offered under Medicaid (as is presented in Table 4) obscures a number of restrictions and prohibitions which limit very sharply the availability of even such a simple medical service as family planning to those few medically indigent persons who meet the program's eligibility requirements.

#### SERVICES PROVIDED, POTENTIAL CASELOAD

The survey sought to obtain some information on the number of medically indigent individuals receiving family planning services subsidized by Medicaid. Since private physicians can generally be expected, once a Medicaid program is operative, to seek reimbursement for services provided heretofore (if at all) on a charity basis, the survey also was intended to illuminate the extent of private physicians' participation in the provision of family planning services to the medically indigent population. This information is difficult to obtain since Medicaid is not an organized program for the delivery of certain services but a fiscal arrangement for the reimbursement of varied medical services provided under varied but limited conditions. Not surprisingly, 33 of the directors

<sup>8</sup> G. Varky, et al, *Five Million Women—Who's Who Among Americans in Need of Subsidized Family Planning Services*, Planned Parenthood-World Population, 1967.

of programs operational during FY 1968 who answered the questionnaire indicated that they could neither determine nor estimate the number of patients who received family planning services under Medicaid during that year. Three states (Kentucky, Oregon and Rhode Island) provided total estimates; Illinois and Iowa provided partial estimates. Program directors in Kansas and Pennsylvania indicated that an estimate could be made but either has not been made or was not available at the time. Two jurisdictions (Puerto Rico and Georgia) were positive that no family planning services had been made available through the Program (Table 7).

When information was in fact available, estimates were derived from invoices and billing mechanisms, particularly drug invoices. The question of reimbursement for the physicians' services (presumably a prerequisite to the issuance of a prescription) was often ambiguous. For example, Rhode Island reported providing family planning services to 1500 Medicaid patients (on the basis of drug invoices). However, Planned Parenthood of Rhode Island could identify 1,028 Medicaid eligible patients who had been provided medical services through its facilities (at no cost to the State) and who had been given prescriptions to be filled at local pharmacies (which were subsequently reimbursed). A similar arrangement seemed to prevail in Iowa during FY 1968, when 1,600 persons per month were to be receiving family planning services. In Kentucky, some 22,636 prescriptions were filled for 7,360 Medicaid recipients but the source of the medical services (and whether or not they were reimbursed) was unclear. Illinois and Oregon could provide estimates based on both physicians and drug reimbursement; here again, however, the estimates seem to dovetail rather closely with the service records of the local Planned Parenthood groups, indicating that the services provided by private physicians outside of organized clinic programs was minimal.

The State of Kansas was apparently able to estimate the number of patients receiving family planning but had not done so. While the response to the survey from Pennsylvania did not include this information; the monthly Statewide Summary Statistics on Medical Services for Family Planning<sup>9</sup> indicated that 6,424 new patients had received services during FY 1968. In addition, payments had been made on behalf of 9,892 patients in the previous eighteen month period. Pennsylvania's invoice system permits an estimate of physician, clinic and drug expenditures for family planning. From this system, a monthly report is compiled indicating the number of new patients and the cumulative number of patients since the beginning of the Welfare Department program in January 1966.

It was difficult, however, to reconcile these Pennsylvania figures with the expenditures reported for FY 1968. If only new patients are considered (which postulates a 100% dropout rate of the 9,892 receiving services in the previous eighteen month period) the average expenditure per patient per year would amount to \$17.50 of which \$14.00 would have been spent on contraceptive drugs. The average expenditure for pharmaceuticals does not appear realistic in view of the cost of contraceptive drugs at local pharmacies, but even less understandable is the average expenditure of \$3.50 per new patient for physicians' services, since an average of 2½ medical visits is customary for new patients in the first year. Roughly 55% of the medical services in Pennsylvania were reported being provided in clinics.

With the exceptions just mentioned, the States could not provide estimates of levels of family planning services (and of expenditures); this does not mean, of course, that no services were provided in these states. For example, Planned Parenthood of New York City (one of the largest providers of services in the country and in a state which, at the time, had the broadest Title XIX coverage) estimates that 4,671 patients received subsidized services under Medicaid in its clinic facilities during FY 1968. New York City hospitals also provided family planning services to large groups of Medicaid-eligible patients and received payments from the State on their behalf. However, these family planning clinics

<sup>9</sup> July 5, 1968.



are often financed through other sources (Federal grants, research grants and contracts, etc.) and it is not clear what role Medicaid funds played in actually subsidizing the service. These examples could no doubt be replicated in other parts of the country, although eligibility in other states is more highly restricted and organized services more scarcely located.

Nevertheless, it is clear from the survey that most State Medicaid programs are unable to determine or estimate the number of patients receiving family planning services under Medicaid. This underlying situation makes highly questionable the estimates of services rendered and funds expended for family planning under Title XIX and IV which have been prepared by DHEW and used by the Bureau of the Budget in presenting the total Federal family planning effort to Congress. In the nine states which could provide some estimates of their family planning caseloads, the total number of patients served came to less than 25,000. Even the most generous assumptions on the level of services in the remaining states cannot support the Federal projections of expenditures. However, DHEW estimated a total of \$9.5 million expended for family planning services in Medicaid and public assistance in FY 1968; and projected an increase in these programs to \$13.0 million in FY 1969 and \$17.0 million in this current fiscal year.<sup>10</sup> The results of this survey make clear that there is little or no basis for such optimistic projections.

#### ANOTHER APPROACH TO ESTIMATING THE CASELOAD

To provide another approach to the assessment of available services through Medicaid and private physicians, we considered the extent to which family planning may have been available, in FY 1968, to the most readily identifiable (and by far the largest) group covered under Medicaid, e.g., the public assistance recipients, and within this group, recipients of AFDC. In that year, the monthly average number of AFDC adult recipients was 1,155,750 of which 920,000 were residents of Title XIX states.

It is known that 91.5% of these adults are mothers<sup>11</sup> (the other adult caretakers being fathers and grandmothers, etc.) and that 78.7% of AFDC homemakers are aged 44 or under.<sup>12</sup> It is thus relatively simple to employ the last two steps of the Dryfoos-Polgar-Varky formula to obtain a gross estimate of the number of AFDC recipients in need of family planning services (Tables 8 and 9). In FY 1968, there appeared to be about 625,000 AFDC recipients who were potential users of family planning services; about 500,000 of them resided in Title XIX states.

A sample survey of AFDC recipients by the National Center for Social Statistics in calendar year 1967<sup>13</sup> indicated the proportion of women recipients who reported receiving family planning services within the past year. Recipients were asked whether they had received various categories of social services such as vocational rehabilitation, training and family planning. Fourteen per cent acknowledged receipt of family planning services during the past year. If this percentage is applied to the entire adult AFDC caseload, it would appear that, by their own account, roughly 162,000 women had received family planning service through all sources—publicly and privately financed organized clinics and private physicians.

For several years, Planned Parenthood records document that welfare recipients constitute 12%–15% of the agency's national caseload. It must be kept in mind that "welfare here encompasses not only AFDC but also general relief and the other Federal categories. In FY 1968, therefore, approximately 50,000 welfare recipients received family planning services through Planned Parenthood-affiliated centers, most of which were at no cost to the Title XIX program or to the public assistance agency. In the same year, an estimated 550,000 patients were enrolled in all identifiable family planning programs operated by public and voluntary hospitals, public health departments and other agencies not affiliated with Planned Parenthood.<sup>14</sup> Knowledgeable program personnel in the

<sup>10</sup> Special Analysis, Budget of the United States, Fiscal Year 1970, pp. 166, 167.

<sup>11</sup> "Preliminary Report of Findings—1967 AFDC Study", National Center for Social Statistics, SRS, DHEW, October 1968, Table 2.

<sup>12</sup> M. Elaine Burgess and Daniel O. Price, *An American Dependency Challenge*, 1963, p. 18.

<sup>13</sup> "Preliminary Report of Findings—1967 AFDC Study", National Center for Social Statistics, SRS, DHEW, Table 20, p. 17.

<sup>14</sup> Office of Economic Opportunity, *Need for Subsidized Family Planning Services; United States, Each State and County, 1968*, Government Printing Office, 1969.

field generally believe that the proportion of public assistance recipients is higher in the caseload of public agencies than in Planned Parenthood centers. However, even if the proportion of welfare recipients is assumed to be similar to that of Planned Parenthood, then it would appear that organized public programs served at least 83,000 public assistance patients in FY 1968.

There are gross estimates, of course, but they imply that approximately 130,000-140,000 recipients of public assistance received family planning services through organized public and private clinic programs in FY 1968. Since AFDC recipients constitute about 80% of all assistance recipients who would be potential family planning patients, the only tenable assumption is that the organized programs served about 105-115,000 AFDC recipients. This would imply that perhaps 45-55,000 AFDC recipients received family planning services through private physicians outside the organized programs operated by Planned Parenthood, public and voluntary hospitals, Health Departments and community agencies. The extent to which these private physicians were, in whole or in part, reimbursed by Title XIX or Title IV is unknown. This analysis, however approximate it must be as a result of the inadequacies of local and Federal recordkeeping, reinforces the observation that when Medicaid reimbursements can be identified, they seem to subsidize family planning services primarily through organized programs rather than through private physicians.

#### FAMILY PLANNING AND THE PRIVATE PHYSICIAN

The failure of Medicaid to stimulate the large scale involvement of private physicians in the provision of family planning care can be attributed to a number of factors, some inherent in the limited scope of most Title XIX programs, and some inherent in the nature of a family planning service. As noted earlier, a family planning service is a combination of medical, educational and social services. Time must be spent in proper instruction, examination and prescription, and supervision must be maintained over an extended period of time. The conditions under which Medicaid physicians tend to function make most of these conditions impossible to fulfill. The DHEW on *Delivery of Health Services for the Poor* noted that "preliminary evidence suggests that the pattern of receipt of care (as with previous welfare programs) may often be that patients are receiving care from the small percentage of practitioners not infrequently without hospital privileges who reside in low-income neighborhoods and must provide a large volume of service."<sup>15</sup> Physicians are in short supply in low-income neighborhoods. In Chicago "The physician to population ratios were 0.62 physicians per 1,000 persons in the poverty areas contrasted to 1.26 per 1,000 population in the non-poverty areas, a deficit of 50 per cent in the number of private practitioners available in poverty areas. When the percentage of specialists among the practitioners is calculated, the disparity is even greater between the two areas."<sup>16</sup> The situation is similar in other impoverished areas such as Appalachia or the deep South. "In a number of counties in the South, 65 to 75 per cent of the population is poor, and the number of physicians is 0.4-0.5 per 1,000 population."<sup>17</sup> Under such conditions it can be expected that the practices of the physicians who remain in poverty areas "are huge, with 30% almost exclusively serving Medicaid patients. The doctors toil long hours, 40% providing services for more than 60 hours per week . . . Recordkeeping is unsatisfactory, even for the most routine recording of chief complaint, physical findings and therapy . . . Episodic care is predominant. The patient's symptoms receive primary attention, and there is little consideration paid to screening procedures and preventive techniques . . . The gross information these records show is that the typical high volume general practitioner is the medical front line triage officer of the ghetto. The kind of care he provides is episodic and symptom-oriented."<sup>17</sup>

Similarly, it would be unrealistic to expect the indigent woman desiring family planning to both have to take the initiative of locating a physician who might provide her with the service and to discover whether or not the service (or which component thereof) is in fact covered under the Medicaid program in her locality. The information gathered in this report would seem to indicate that physician's participation in the provision of family planning services is largely

<sup>15</sup> *Delivery of Health Services for the Poor*, U.S. Department of Health, Education, and Welfare, December 1967.

<sup>16</sup> Chicago Board of Health, Preliminary Reports on Patterns of Medical and Health Care in Poverty Areas of Chicago, 1966.

<sup>17</sup> *Delivery of Health Services for the Poor*, U.S. Department of Health, Education, and Welfare, December 1967.



through organized programs which are more economical of his time and that the patient tends to gravitate to identifiable programs organized around her needs.<sup>18</sup>

## TABLES

1. Status of Medicaid Programs, March 1969.
2. Title XIX programs classified by groups eligible for medical vendor payments, March 1969.
3. Annual income levels for the medically needy in 27 Title XIX plans, March 1969.
4. Services offered under Title XIX programs by eligible groups, March 1969.
5. Nature of physicians' services in Title XIX States, March 1969.
6. Services offered in medical assistance programs, which are most applicable to family planning, by State.
7. Number of recipients of medical vendor payments receiving family planning services, Title XIX States, FY 1968.
8. How to estimate potential acceptors of family planning services for adult members of AFDC households.
9. Adult recipients of AFDC money payments, which are potential contra-ceptors, all States, FY 1968.

## APPENDICES

- I Medicaid Survey Questionnaire
- II Dryfoos-Polgar-Varky Formula

TABLE 1.—STATUS OF MEDICAID PROGRAMS, MARCH 1969

Program initiated	State
January 1966.....	Hawaii, Illinois, Minnesota, North Dakota, Oklahoma, Pennsylvania, Puerto Rico.
March 1966.....	California.
May 1966.....	New York.
July 1966.....	Connecticut, Idaho, Kentucky, Louisiana, Maine, Maryland, Nebraska, Ohio, Rhode Island, Utah, Vermont, Virgin Islands, Washington, West Virginia, Wisconsin.
September 1966.....	Massachusetts.
October 1966.....	Delaware, Michigan.
December 1966.....	New Mexico.
June 1967.....	Kansas.
July 1967.....	Iowa, Montana, Nevada, New Hampshire, Oregon, Wyoming.
September 1967.....	Texas.
October 1967.....	Georgia, Missouri, South Dakota.
November 1967.....	Guam.
July 1968.....	District of Columbia, South Carolina.
January 1969.....	Colorado.
Plan submitted.....	Virginia.
Plan in preparation.....	Alabama, Alaska, Arkansas, New Jersey, Tennessee.
Legislation in process.....	Florida, Indiana.
Considering alternate approaches.....	Arizona, Mississippi, North Carolina.

<sup>18</sup> Florence Kavalier, M.D., M.P.H., "Medicaid in New York City—People, providers and Payment—Telling it How it is", Nov. 14, 1968.

TABLE 2.—TITLE XIX PROGRAMS CLASSIFIED BY GROUPS ELIGIBLE FOR MEDICAL VENDOR PAYMENTS, MARCH 1969  
 Key: A—categorically needy and categorically related needy; B—categorically related medically needy; C—noncategorically related needy or medically needy.

A	AB	ABC
(17 units)	(15 units)	(11 units)
Colorado	California	Connecticut
Georgia	Delaware	Hawaii
Idaho	District of Columbia	Kansas
Iowa <sup>1</sup>	Guam	Maryland
Louisiana	Illinois	Massachusetts
Maine	Kentucky	Minnesota
Missouri	Michigan	New York
Montana	Nebraska	Pennsylvania
Nevada	New Hampshire	Puerto Rico
New Mexico	North Dakota	Utah
Ohio	Oklahoma	Washington
Oregon	Rhode Island	
South Carolina	Vermont	
South Dakota	Virgin Islands	
Texas	Wisconsin	
West Virginia		
Wyoming		

<sup>1</sup> As of Feb. 1, 1969—program curtailed.

TABLE 3.—ANNUAL INCOME LEVELS FOR THE MEDICALLY NEEDY IN 27 TITLE XIX PLANS IN OPERATION ON MARCH 1969<sup>1</sup>

State	Income protected for maintenance, by number of persons in family			
	1	2	3	4
California.....	\$1,944	\$2,496	\$2,892	\$3,792
Connecticut.....	2,100	3,200	3,800	4,400
Delaware.....	1,300	2,100	3,000	3,200
District of Columbia.....	2,100	2,800	3,180	3,560
Guam.....	1,500	2,500	2,800	3,000
Hawaii.....	1,500	2,400	2,700	3,240
Illinois.....	1,800	2,400	3,000	3,600
Iowa.....	1,600	2,400	3,000	3,600
Kansas.....	1,600	2,200	2,600	3,000
Kentucky.....	1,620	2,220	2,820	3,420
Maryland.....	1,800	2,280	2,700	3,120
Massachusetts.....	2,160	2,832	3,504	4,176
Michigan.....	1,900	2,700	3,120	3,540
Minnesota.....	1,620	2,220	2,628	3,036
Nebraska.....	1,600	2,200	2,600	3,000
New Hampshire.....	2,088	3,336	3,696	4,056
New York.....	2,900	4,000	5,200	6,000
North Dakota.....	1,600	2,200	2,600	3,000
Oklahoma.....	1,704	1,944	2,184	2,224
Pennsylvania.....	2,000	2,500	3,250	4,000
Puerto Rico.....	1,500	1,800	2,200	2,600
Rhode Island.....	2,500	3,500	3,900	4,300
Utah.....	1,200	1,680	2,160	2,640
Vermont.....	1,740	2,460	3,000	3,420
Virgin Islands.....	2,200	2,750	3,190	3,630
Washington.....	2,040	2,580	3,060	3,480
Wisconsin.....	1,800	2,700	3,200	3,700
Median.....	1,800	2,460	3,000	3,480

<sup>1</sup> The following 16 States are not listed since they do not include the medically needy in the scope of the program: Colorado, Georgia, Idaho, Louisiana, Maine, Missouri, Montana, Nevada, New Mexico, Ohio, Oregon, South Carolina, South Dakota, Texas, West Virginia, and Wyoming.



TABLE 4.—SERVICES OFFERED UNDER TITLE XIX PROGRAMS BY ELIGIBLE GROUPS; DATA INCLUDE THE 43 JURISDICTIONS WITH MEDICAL ASSISTANCE PROGRAMS AS OF MARCH 1969

Eligible groups	Services				Drugs
	Physicians <sup>1</sup>	Outpatient	Clinic	Laboratory fees	
Categorically needy <sup>1</sup> .....	43	43	29	43	39
Categorically related needy <sup>2</sup> .....	43	43	29	43	39
Categorically related medically needy <sup>3</sup> .....	27	26	20	27	24
Noncategorically related medically needy <sup>4</sup> .....	11	11	11	11	10

<sup>1</sup> Persons receiving financial aid under the 4 categorical public assistance programs: Aid to families with dependent children (AFDC), aid to the permanently and totally disabled (APTD), aid to the blind (AB), and old-age assistance (OAA).

<sup>2</sup> Persons who would qualify for the 4 categorical public assistance programs except for failure to meet State residence requirements or other State-imposed eligibility conditions. Everyone under age 21 who, except for a State age or school-attendance requirement, would be eligible for AFDC. Also anyone who would be eligible for financial aid under Federal law, if it were not for State restrictions.

<sup>3</sup> Persons who would qualify for a categorical public assistance program but do not receive welfare payments; persons who would qualify for a categorical public assistance program except for having income and resources large enough to cover daily living expenses but not adequate to pay for medical care.

<sup>4</sup> Persons who are receiving or are eligible for general assistance under a statewide program; persons who do not qualify for categorical public assistance programs and who have income and resources large enough to cover daily living expenses, but not adequate to pay for medical care. (Medical services, if provided to this group, are paid for entirely by the State since no Federal sharing of medical costs is available for individuals in this category.)

TABLE 5.—NATURE OF PHYSICIANS' SERVICES IN TITLE XIX STATES, MARCH 1969

State	Preventive	Diagnostic	Treatment
California.....	Yes.....	Yes.....	Yes.....
Colorado.....	Yes.....	Yes.....	Yes.....
Connecticut.....	Yes.....	Yes.....	Yes.....
Delaware.....	No.....	No.....	Yes.....
District of Columbia.....	Yes.....	Yes.....	Yes.....
Georgia.....	No.....	Yes.....	Yes.....
Guam.....	Yes.....	Yes.....	Yes.....
Hawaii.....	Yes.....	Yes.....	Yes.....
Idaho.....	No.....	Yes.....	Yes.....
Illinois.....	Yes.....	Yes.....	Yes.....
Iowa.....	Yes.....	Yes.....	Yes.....
Kansas.....	Yes.....	Yes.....	Yes.....
Kentucky.....	Yes.....	Yes.....	Yes.....
Louisiana.....	Yes.....	Yes.....	Yes.....
Maine.....	Yes.....	Yes.....	Yes.....
Maryland.....	No.....	Yes.....	Yes.....
Massachusetts.....	Yes.....	Yes.....	Yes.....
Michigan.....	No.....	Yes.....	Yes.....
Minnesota.....	Yes.....	Yes.....	Yes.....
Missouri.....	Yes.....	Yes.....	Yes.....
Montana.....	Yes.....	Yes.....	Yes.....
Nebraska.....	Yes.....	Yes.....	Yes.....
Nevada.....	Yes.....	Yes.....	Yes.....
New Hampshire.....	Yes.....	Yes.....	Yes.....
New Mexico.....	Yes.....	Yes.....	Yes.....
New York.....	Yes.....	Yes.....	Yes.....
North Dakota.....	Yes.....	Yes.....	Yes.....
Ohio.....	No.....	Yes.....	Yes.....
Oklahoma.....	No.....	No.....	Yes.....
Oregon.....	No.....	Yes.....	Yes.....
Pennsylvania.....	No.....	Yes.....	Yes.....
Puerto Rico.....	Yes.....	Yes.....	Yes.....
Rhode Island.....	Yes.....	Yes.....	Yes.....
South Carolina.....	Yes.....	Yes.....	Yes.....
South Dakota.....	Yes.....	Yes.....	Yes.....
Texas.....	No.....	Yes.....	Yes.....
Utah.....	Yes.....	Yes.....	Yes.....
Vermont.....	Yes.....	Yes.....	Yes.....
Washington.....	No.....	Yes.....	Yes.....
West Virginia.....	Yes.....	Yes.....	Yes.....
Wisconsin.....	Yes.....	Yes.....	Yes.....
Wyoming.....	Yes.....	Yes.....	Yes.....

TABLE 6.—SERVICES OFFERED IN MEDICAL ASSISTANCE PROGRAMS, WHICH ARE MOST APPLICABLE TO FAMILY PLANNING, MARCH 1969

State	Physicians	Outpatient hospital	Clinic	Lab fees	Drugs
California	Yes	Yes	Yes	Yes	Yes. <sup>1</sup>
Colorado	Yes	Yes	No	Yes	Yes.
Connecticut	Yes	Yes	Yes	Yes	Yes.
Delaware	Yes	Yes	Yes	Yes	Yes.
District of Columbia	Yes	Yes	Yes	Yes	Yes.
Georgia <sup>2</sup>	Yes	Yes	No	Yes	Yes.
Guam	Yes	Yes	Yes	Yes	Yes.
Hawaii	Yes	Yes	Yes	Yes	Yes.
Idaho	Yes	Yes	No	Yes	No.
Illinois	Yes	Yes	Yes	Yes	Yes.
Iowa	Yes	Yes	Yes	Yes	Yes.
Kansas	Yes	Yes	Yes	Yes	Yes.
Kentucky	Yes	Yes	No	Yes	Yes.
Louisiana	Yes <sup>3</sup>	Yes	No	Yes	Yes.
Maine	Yes	Yes	Yes	Yes	Yes. <sup>4</sup>
Maryland	Yes <sup>5</sup>	Yes	Yes	Yes	Yes.
Massachusetts	Yes	Yes	Yes	Yes	Yes.
Michigan <sup>6</sup>	Yes	Yes	No	Yes	Yes.
Minnesota	Yes	Yes	Yes	Yes	Yes.
Missouri	Yes	Yes	No	Yes	Yes.
Montana	Yes	Yes	No	Yes	Yes.
Nebraska	Yes	Yes	Yes	Yes	Yes.
Nevada	Yes	Yes	Yes	Yes	Yes.
New Hampshire	Yes	Yes	Yes	Yes	Yes.
New Mexico	Yes	Yes	Yes	Yes	Yes.
New York	Yes	Yes	Yes	Yes	Yes.
North Dakota	Yes	Yes	Yes	Yes	Yes.
Ohio	Yes	Yes	Yes	Yes	Yes.
Oklahoma	Yes	Yes <sup>7</sup>	Yes <sup>8</sup>	Yes <sup>9</sup>	No.
Oregon	Yes	Yes	Yes	Yes	Yes.
Pennsylvania	Yes	Yes	Yes	Yes	Yes. <sup>10</sup>
Puerto Rico	Yes	Yes	Yes	Yes	Yes.
Rhode Island	Yes	Yes	Yes <sup>11</sup>	Yes	Yes.
South Carolina	Yes	Yes	No	Yes	Yes.
South Dakota	Yes	Yes	No	Yes	No.
Texas	Yes	Yes	Yes <sup>12</sup>	Yes	Yes. <sup>13</sup>
Utah	Yes	Yes	No	Yes	Yes.
Vermont	Yes	Yes	Yes	Yes	Yes.
Virgin Islands	Yes	Yes	No	Yes	Yes.
Washington	Yes	Yes	Yes	Yes	Yes.
West Virginia	Yes	Yes	Yes	Yes	Yes.
Wisconsin	Yes	Yes	No	Yes	Yes. <sup>14</sup>
Wyoming	Yes	Yes	No	Yes	No.

<sup>1</sup> Prescribed drugs for medically needy provided only in relation to discharge from inpatient care (for a period of 90 days).

<sup>2</sup> All present services are limited to those necessitated by illness or injury.

<sup>3</sup> Physicians services are limited to 1 visit per month for treatable on-going illnesses.

<sup>4</sup> Drugs are limited to those which cannot be self-administered, or provided during inpatient hospital or extended care.

<sup>5</sup> Physicians services are available only when approved by local health department.

<sup>6</sup> Services, unless hospital related, are provided to the categorically indigent only.

<sup>7</sup> Outpatient services are limited to emergency care.

<sup>8</sup> Clinic services are limited to teaching institutions under contract with the State welfare agency.

<sup>9</sup> Laboratory services are limited to diagnosing the nature or severity of an illness.

<sup>10</sup> Drugs are limited to the categorically indigent.

<sup>11</sup> Clinic services are provided only to the categorically indigent.

<sup>12</sup> Payment is limited to clinic registration fee.

<sup>13</sup> Provides only drugs and biologicals which cannot be self-administered and which are administered incident to a physician's professional services to an outpatient.

<sup>14</sup> Prescribed drugs for the medically needy are limited to legend drugs and insulin.



TABLE 7.—NUMBER OF RECIPIENTS OF MEDICAL VENDOR PAYMENTS RECEIVING FAMILY PLANNING SERVICES DURING FISCAL YEAR 1968<sup>1</sup>

State <sup>2</sup>	Can number receiving family planning services be determined or estimated?	Number of recipients served	Comments
California	No	Unknown	All present medical assistance services are limited to those necessitated by illness or injury. Program initiated in October 1967.
Connecticut	No	do	
Delaware	No	do	
Georgia	No	None	
Guam	No	Unknown	
Hawaii	No	do	Program initiated in November 1967.
Idaho	No	do	
Illinois	Partial	4,582	4,582 persons received family planning services in June 1968 at the expense of the Public Aid Department. A substantial number of these patients were served at planned parenthood clinics which billed the State for the services.
Iowa	do	1,600	
Kansas	Yes	Unknown	1,600 persons receiving family planning services per month, as estimated by drug prescription reimbursement records. Planned Parenthood of Iowa has successfully negotiated a family planning service reimbursement schedule with the Department of Social Services, but has of yet to receive reimbursement due to reduction of State funds in the medicaid program.
Kentucky	Yes	7,360	Even though the number of patients receiving family planning services could be determined or estimated, "it is simply not high enough on our priority list to produce a work order to develop this data."
Louisiana	No	Unknown	22,636 contraceptive drug prescriptions were filled for 7,360 recipients during the fiscal year 1968.
Maine	No	do	Where health departments operate family planning clinics, MAP patients can secure services only in these clinics. Elsewhere private physicians can provide family planning to MAP eligibles only if authorized by a health officer.
Maryland	No	do	
Massachusetts	No	do	State law allows contraceptive drug and supply prescription only for married women.
Michigan	No	do	Family planning services are not covered for the medically needy.
Minnesota	No	do	
Missouri	No	do	
Montana	No	do	
Nebraska	No	do	
Nevada	No	do	
New Hampshire	No	do	
New Mexico	No	do	
New York	No	do	
North Dakota	No	do	
Ohio	No	do	
Oklahoma <sup>3</sup>	No	do	
Oregon	Yes	825	
Pennsylvania	Yes	Unknown	
Puerto Rico	Yes	None	
Rhode Island	Yes	1,500	
South Dakota	No	Unknown	Of the 1,500 patients who are estimated to be receiving family planning services, Planned Parenthood of Rhode Island serves an estimated 1,028 in its clinics, for which there is no reimbursement to planned parenthood or to the participating physicians for services provided. State reimbursement is limited to contraceptive drugs and supplies which must be purchased at local pharmacies.
Texas	No	do	
Utah	No	do	Program initiated in September 1967.
Vermont	No	do	
Virgin Islands	No	do	Did not respond to the March survey.
Washington	No	do	
West Virginia	No	do	
Wisconsin	No	do	
Wyoming	No	do	

<sup>1</sup> Fiscal year 1968—July 1, 1967 to June 30, 1968. Information reported is based on a survey of family planning and the medical assistance programs conducted by the Center for family planning program development, planned parenthood world population, in March 1969; individual State medical assistance plans or summaries, when made available; and personal contacts with directors of State medical assistance programs and with planned parenthood affiliate and State directors.

<sup>2</sup> Colorado, South Carolina, and the District of Columbia did not have operational programs in fiscal year 1968.

<sup>3</sup> Lab services limited to diagnosing the nature or severity of an illness or injury. Outpatient services are limited to emergency care. Organized outpatient clinics limited to those teaching hospitals holding a contract with this Department.

TABLE 8.—HOW TO ESTIMATE POTENTIAL ACCEPTORS OF FAMILY PLANNING SERVICES FOR ADULT MEMBERS OF AID FOR DEPENDENT CHILDREN HOUSEHOLDS

MULTIPLY TOTAL NUMBER OF ADULT MEMBERS OF AFDC HOUSEHOLDS BY .54

The multiple, .54, is derived by multiplying .915 by .787 by .75. Percentages determined as follows:

1. Determine total number of adult members of AFDC households.
2. Multiply this number by the proportion of households in which the mother is present in the home (91.5 percent) (Source: "Preliminary Report of Findings—1967 AFDC Study," issued by the National Center for Social Statistics, SRS, DHEW, October 1968, table 10.)
3. Multiply the above number by estimated households in which the homemaker is age 44 or under (78.7 percent). (Source: "An American Dependency Challenge," by M. Elaine Burgess and Daniel O. Price, 1963, p. 18.)
3. Multiply the above number by the proportion of women who need protection from pregnancy at any given time (75 percent). (Source: The Dryfoos-Polgar-Varky Formula, "How to Estimate Need for Subsidized Family Planning Service.")

TABLE 9.—ADULT RECIPIENTS OF AFDC MONEY PAYMENTS, WHICH ARE POTENTIAL ACCEPTORS OF FAMILY PLANNING, ALL STATES, FISCAL YEAR 1968<sup>1</sup>

Middle month of calendar quarter	AFDC adults		Total
	Title XIX States	Other States	
August 1967.....	742,000	286,000	1,028,000
November 1967.....	927,000	214,000	1,141,000
February 1968.....	997,000	219,000	1,216,000
May 1968.....	1,017,000	221,000	1,238,000
Average per month.....	920,750	235,000	1,155,750
Potential acceptors <sup>2</sup> .....	497,205	162,900	624,105

<sup>1</sup> Source: Medical Assistance Financed Under the Public Assistance Titles of the Social Security Act," issued by the National Center for Social Statistics, SRS, DHEW, for the middle month of each calendar year.

<sup>2</sup> Potential Acceptors derived by calculating .54 of the average number of adult recipients per month (see Table 8).

The CHAIRMAN. We thank both of you for your most interesting and helpful statements. The information you gave us Dr. Beasley, is almost unbelievable as to the success you have had in this pilot operation. It is amazing what can be done.

Dr. BEASLEY. Only, sir, if the means to do it and the framework is provided and these means and this framework are not provided at the level. Our legislature, I believe, our department of public welfare and the county commissioners of our State would be willing to have a grant mechanism to expand and in fact we are working to expand this program to all 64 counties in the State. If we could under title IV have a mechanism on a 90-10 basis—we need 100 percent—if we could have the funds available, these types of results, we think, would be achieved throughout the entire State.

In fact, we think this employs the potential that they could be achieved throughout the Nation. In other words, if we would spend more money helping the families to prevent the first pregnancy out of wedlock and the subsequent pregnancy out of wedlock, and the cycle of illegitimacy that is so destructive not only to the families involved but to the children involved, in these families, this would be a tremendous service to this country for a relatively small amount of money.

These data vindicate, and I think greatly vindicate, the families who are themselves involved. In one county where we gave the families an opportunity to do this with dignity they voluntarily stopped the cycle of illegitimacy on their own accord. It is going to take, however, the development of comprehensive organized programs and necessary funding for them of this type throughout the Nation, if we are going to decrease the ratio of illegitimacy in this increase which has been spiraling in this country for the past 15 years.



The CHAIRMAN. Dr. Beasley, how many of these pilot operations are in existence now?

Dr. BEASLEY. Well, in our particular State we are working through the auspices of a nonprofit corporation backed by the State agencies which is an informal relationship between Tulane, Harvard, and other institutions to get it to all 64 counties. We plan to do this by June of 1970. We think we will have complete State coverage of this type of program by June of 1970 which again shows that it could be done even in the face of very adverse financing, and also on the basis of the fact that we have had to go on a year-by-year basis, with no assurance or guarantee.

Throughout the Nation now I think in every State in the Union with the exception of two States, all legal barriers have been removed for the introduction of this type of program. There is every evidence that there is very strong motivation among both the poor themselves and the general public for these types of programs, but the problem is, the tragedy is, that we estimate that only about 15 percent of all totally indigent women in the United States who desire this service have it currently available to them.

In other words, even though you could say to the department of public welfare to refer a mother who asked for this service or make it a law there is no adequate place available to give them service and this service can not just be the handing out of a pill or an IUD, or any other type of contraceptive device or telling them very briefly how to practice rhythm. It involves intensive training and education and working with both the male and the female member of the family to help give them the power to control their fertility.

We have shown in one county and subsequently shown in the New Orleans area where we have involved 18,000 families in 2 years that this is one of the health services that the poor themselves want more than almost any other health service available to them.

Although the potential is ready to put this throughout the Nation, the actuality in relationship available that are being acceptable to the patient and are effective enough to do this kind of job does not exist.

The power exists in the existing legislation with the interpretation, in my opinion, or the changes recommended by Mr. Jaffe to dramatically change that situation in short order. It is a myth that we can't stop illegitimacy. It is a myth that these families are trying to perpetuate this on society. I think we have been able to demonstrate that given a chance that they themselves will do a great deal to get out of this cycle. I would hope this committee would give these recommendations most serious consideration because without funding, and continuing funding over a period of time, and adequate funding, we are not going to be able to duplicate these kinds of results in other areas.

Sir, I think that in terms of the development of the quality of the potential of the child, and we must understand that in this country we have estimated that despite our decreasing birth rates we are going from somewhere in the area of 60 million children 14 years and under in 1950, and 1960 to between 90 million and 100 million 14 years and under, between the year 1990 and 2000, 20 or 30 years from now, that if we are going to look to the protection of our most precious asset, the potential of our children and its development, allowing all families in our society regardless of their socioeconomic status to have the right to

have a child well born, wanted and born into a stable family structure where his emotional, intellectual, and health potential as a human being can be developed, this I think should be one of our highest priorities or first priorities as a nation.

I feel we are currently failing markedly in reaching this priority now and in providing for the greater numbers of children in the future. Without the provision and the power to control procreation the lower socioeconomic families will not be able to remove the major obstacle or even cope with the major obstacles to the achievement of family health and stability which they currently face.

The CHAIRMAN. Dr. Beasley, you and Mr. Jaffe have been very helpful, I am sure, to the committee.

Yes, Mr. Burke.

Mr. BURKE. In your studies did you people look into the causes for the rise of illegitimacy in the past 15 years?

Dr. BEASLEY. For the causes?

Mr. BURKE. Yes. What is causing this rise?

Dr. BEASLEY. Well, I think one of the basic things we found was that around 90 percent of both the male and female members of the lower socioeconomic group of the poor did not understand the basic aspects about reproduction. They understood that intercourse and pregnancy were related but beyond that did not understand a great deal about reproduction. So that ignorance is one factor.

The other factor as well is ignorance about contraceptive technology and family planning methodology. I know this committee does not come under the area of the Federal Drug Administration but literally we should put on wax paper and Saran wrap the fact that this may be good for the kitchen but it is not a good contraceptive, because many of the teenagers in their ignorance are using Saran wrap and wax paper and aspirin tablets followed by Pepsi-Cola or Coca-Cola or Sprite douches after this intercourse thinking this is a contraceptive. So that tremendous ignorance about contraception and reproductive physiology is one problem.

The third problem is the fact that we don't have a primary delivery system for the poor for contraceptives and the poor do not have access to family planning services which will give them the power to control their own reproduction.

Mr. BURKE. I understand all those answers but what I am referring to is the cause of the increase in the pregnancies in the past 15 years as you have testified.

Do you believe that pornographic literature or the type of movies that we have today, or the permissiveness that is being encouraged are any of the reasons why these pregnancies are increasing?

Dr. BEASLEY. No, sir.

Mr. BURKE. Lack of control and other things?

Dr. BEASLEY. If you will take the rate or percentage of illegitimacy that has been occurring, this has not markedly increased among the teenagers. The ratio has to do with the proportion of births occurring to women per thousand births of women 15 to 44 years of age. This implies that in a larger population we are having a larger number of pregnancies out of wedlock. Is that confusing?

Mr. BURKE. I am trying to find out whether or not you people have looked into the causes. We all know what can be done about pre-



vention of these things, as far as the contraceptives and other things that are recommended are concerned. But I am wondering if you people have looked into the moral aspects of it, whether or not there is a problem here in the encouragement of a permissive society, the flooding of the mail with pornographic literature—I have many letters telling me about the mail that is arriving uninvited to homes where young children have access to it—the violence and sex on television and radio, whether you have looked into the aspects from this side that might encourage a refraining from this type of activity on the part of youngsters.

Dr. BEASLEY. Sir, in our experience it is very hard to get objective data with statistics on this, but we think that the pregnancy out of wedlock is the major cause of school dropouts among teenagers in the metropolitan New Orleans area. For this reason we have given considerable study to this problem because it is such a severe handicap to the individual involved.

Mr. BURKE. In other words, you just want to go into the aspect here of prevention of births and don't want to go into the other aspects.

I have reports from some of the affluent areas of my district that youngsters who are not on welfare and come from very nice families find themselves with these problems. I am wondering whether or not Harvard or Tulane has taken up a subject matter that is very important, that is the breakdown of the morality not only in this country but throughout the world. Don't you think that we should attribute some of the effects of this to the permissiveness in society, the complete disregard of moral standards as evidenced by some of these shows that we see on Broadway and throughout the country, and the type of literature that is being found in any periodical store.

Do you think that any of these things contribute to this high rate of pregnancy? That is the only answer I am trying to get from you.

Dr. BEASLEY. I can give you my personal opinion, which I will do. My personal opinion is that, yes, we are exposing our teenage population of all socioeconomic groups to a vast array of erotic and stimulatory types of material which would seem to make sexual activity both glamorous or, as far as this is concerned, in fact the thing to do. On the other hand, I don't think we are any more immoral today than we were 20 years ago. I see no evidence of that, myself, personally.

Mr. BURKE. You made the statement that illegitimate pregnancies were on the increase in the past 15 years. I asked the question based on your statement.

Dr. BEASLEY. The main point I want to make is that I agree that this is a highly undesirable atmosphere for the teenagers. What is happening in the middle and upper socioeconomic groups is that as to the teenagers' pregnancies, those getting pregnant under 18 years of age, that one of the major findings was that these people stimulated in this manner were being pressured into sexual intercourse at a very early age by more knowledgeable and older adults. Frequently the age gradient was more than 5 years of age. I agree with you about these causes and I myself think that this atmosphere should be decreased but one thing that would help tremendously would be to at least provide the teenagers after they get the power to reproduce with a knowledge of the implications of what this tremendous power and

belief is of reproduction, and what the consequences of intercourse are without taking adequate precautions, or what the consequences of intercourse outside of pregnancy are if one continues in pregnancy outside of marriage.

Many of the teenagers that we see on the wards, and that we did see, did not even understand that they could become pregnant.

On the other hand, they have this tremendous barrage, as you are saying, of information which is I think in my personal opinion undesirable, but on the other hand they don't have any knowledge to combat it. So that I think we have this tremendous imbalance and I think this imbalance and lack of information in education may be one of the contributing factors to the increased ratio of illegitimacy among the teenagers.

Mr. BURKE. I merely made these observations and asked the questions to bring out the fact that you people are almost trying to fight the overwhelming tide of the flood of pornographic literature, the permissiveness of radio and television and theater, and magazines and all these other methods that are introduced to reach the youth, and that you have quite a fight on your hands. It is almost like holding back the tide.

Dr. BEASLEY. I agree with your analogy that it is quite a fight, but it would seem to me that we have shown I believe the fact of a basic principle or precept about American life that if you give the individual and the individual family the information which will allow them to weigh the evidence so that they are fully educated and trained and will allow them to weight the evidence so that they can make a rational choice concerning their behavior that this choice will be in the interests of the individual and in general in the interests of society. This is one of the basic premises of our society.

One of the things I am saying is that we are not giving either our teenagers or our families or particularly the lower socioeconomic segments of the population but our teenagers in general across the country and also, particularly, our lower socioeconomic women, either the information about reproduction and contraception or a choice in relationship to service which would allow them to avoid this pitfall.

Mr. BURKE. I am not against them getting this service or this information if they voluntarily request it.

Dr. BEASLEY. Right.

Mr. BURKE. But I don't believe it should be mandatory or forced on them if it is against their principles.

Dr. BEASLEY. Sir, I think here again in the matter of forcing it on them, in our experience, and I don't want to be melodramatic, when we started this Lincoln Parish clinic, one of the first family planning clinics started in the United States, Hurricane Betsy hit the Louisiana coast on the morning of September 10th. This was the first organized legal clinic in the State of Louisiana, the first day, and we were there. The hurricane hit the night before and during the night. We were there in the area early in the morning at 8 o'clock without any lights, with winds going from 30 to 40 miles per hour. We had eight women scheduled to come into this clinic.

With rain coming in sideways, horizontally and not straight down, four of them showed up to keep their appointment. We have seldom found motivation for services, for any type of services at the level



that we found for family planning services when they are provided with the protection of the individual's freedom of choice, individuality and respect for their decency. I think that also it is an insult to the intelligence of the women involved in the lower socioeconomic segment, to insinuate that one can coerce them in one sense because they can spot coercion from a long ways away, particularly the lower socioeconomic women that we have dealt with because, although they may have a low level of education these women have a level of education of only 7.1 years of age and almost half functionally are illiterate, they are basically intelligent and can spot coercion.

In the programs we are developing we are trying to build this safeguard and in our program and every program to be under the auspices of the health professions, they and the others involved would be themselves the first to spot coercion from a welfare agency and go on behalf of the client to take whatever recourse necessary to protect the client's rights. It is a myth that we are trying to coerce the poor into something they don't want.

Mr. BURKE. I haven't said that you have coerced them. I hope that it would follow those lines rather than having coercion, and allow the individual to have the privilege and dignity of a human being to have the right and privilege as to saying what they should do with themselves.

Dr. BEASLEY. I agree with you. I think not only is this their right but without this power to do this in relationship to procreation they are denied many other rights.

Mr. BURKE. I might also say that I would like to see Harvard and Tulane enter into some studies and surveys of the causes of some of the conditions that we witness around us today, which relate to the high increase in the venereal disease rate and also the high increase in illegitimate births.

Dr. BEASLEY. Yes, sir. I agree with you that these are areas that require very high priority in relationship to our attention and I thank you for pointing them out.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. Mr. Chairman, you mentioned two States in which I gathered there were legal inhibitions on implementing title IV.

Mr. JAFFE. I think Dr. Beasley's reference was two States which have legal restrictions on the provision of contraception to unmarried persons.

Mr. BYRNES. What are those?

Mr. JAFFE. The two States are Massachusetts and Wisconsin. In all other States there is nothing in the basic statutes.

Mr. BYRNES. Thank you.

The CHAIRMAN. Are there any further questions? If not, again we thank you gentlemen for bringing your testimony to the committee.

Dr. BEASLEY. Thank you.

Mr. JAFFE. Thank you very much.

The CHAIRMAN. Mr. Kaplan, if you will identify yourself by giving your name, address, and the capacity in which you appear, we will be glad to recognize you.

**STATEMENT OF WILLIAM KAPLAN, PRESIDENT, INTERNATIONAL ASSOCIATION OF INDUSTRIAL ACCIDENT BOARDS AND COMMISSIONS; ACCOMPANIED BY JOHN V. KEARNEY, CHAIRMAN, INDUSTRIAL ACCIDENT COMMISSION, STATE OF MAINE**

Mr. KAPLAN. Mr. Chairman and members of the committee, my name is William Kaplan, of 455 Golden Gate Avenue, San Francisco, Calif. 94102, and I appear here as president of the International Association of Industrial Accident Boards and Commissions.

With me is John Kearney, the chairman of the Industrial Accident Commission of the State of Maine, a past president of our Federal-State committee.

The CHAIRMAN. We are glad to have you gentlemen with us, and you are recognized.

Mr. KAPLAN. One of our officers, Mr. Chairman, is from your own State, Oliver Wendell Holmes, Jr., who is secretary-treasurer, and has been for some 5 years.

Our association consists of the various workmen's compensation agencies, boards or commissions of the United States and Canada and about nine other jurisdictions, all of which constitute the active or voting members. In addition, there are some 280 associate members and honorary members who have a substantial interest in workmen's compensation. Generally these are representatives of the legal and medical professions, industry, labor, insurance, vocational rehabilitation, and safety.

The purpose of our association since its organization in the year 1914 has been to gather and interchange information and to foster and encourage improvement in workmen's compensation laws, both substantive and procedural. For more than 55 years our association has been active in the development of hither benefits, medical treatment, safety and rehabilitation for injured workers.

**PROPOSALS OPPOSED**

Because of our interest in preserving the State-administered workmen's compensation systems, we oppose proposed legislation that would change the social security system into a workmen's compensation system. The proposals opposed specifically are:

(a) Change of the definition of disability under social security to eliminate the requirement of total disability.

(b) Reduction of the eligibility period for disability from 6 months to 3 months.

(c) Removal of the offset provision for workmen's compensation payments against social security benefits.

(d) Extending medicare or medicaid to provide medical treatment for occupationally disabled workers.

We take no position for or against any proposals which do not affect workmen's compensation directly or indirectly.

**FEDERAL ENCROACHMENT ON STATE WORKMEN'S COMPENSATION**

There is a place for welfare and support payments under social security and a separate place for State-administered workmen's compensation systems. The encroachment of Federal programs into the State



systems will surely destroy the latter to the ultimate detriment of injured workers.

The proposals we object to would make any worker disabled for 3 months eligible for social security benefits, and this without any demonstration or indication of a permanent disability. Furthermore, he would draw all of his social security benefits without offset. He would in addition, be entitled to medical care for his injury under medicare or medicaid. Under such a system can you imagine a State legislature increasing State workmen's compensation benefits? As sure as the base coins we now use have driven the good silver coins from view, the social security proposals, if enacted, will drive out and destroy State workmen's compensation.

State boards and commissions in many States have operated for more than 55 years. There is an expertise that has grown to meet the problems of this very complex field which will be lost if the State programs are squeezed out. Under State operation the first payment of benefits to an injured worker is made in about 15 days or less, whereas the first social security payment generally will not be paid for a matter of months. The State administrations are able to adapt to local conditions and requirements better than a single monolithic, inflexible nationwide system.

State systems provide a forum for innovation and improvement of workmen's compensation. Within the last 2 and a half years there have been improvements in the laws of 47 of the jurisdictions in our association. In the State of California there has been a change in the workmen's compensation law at every legislative session since the first enactment in the year 1911 except only one, in the year 1921.

#### THE PROPOSALS SHIFT THE COST OF WORKMEN'S COMPENSATION IN PART TO THE INJURED WORKER

At present workers pay no part of State workmen's compensation costs. The employers, by insurance or self-insurance plans, bear the entire burden. The employer includes this expense as a part of the cost of production of the product or service which is paid for by the ultimate consumer. Thus each business or industry meets its own obligation for its own accidents. Contrast this equitable and logical system with the taxes paid to support social security, paid one-half by the worker himself. Does it make sense to destroy the State system by encroachment and to shift the burden of benefits onto all employers and all workers by increased taxes. With so much money needed to pay well merited increases in welfare and support for the aged and the widows and orphans under social security, I submit this is no time to divert billions to take over the State programs of workmen's compensation that now finance themselves.

#### SAFETY INCENTIVES LOST

Since the employer pays the entire cost of State workmen's compensation through premiums for insurance or self-insurance, he is encouraged to improve safety and foster accident prevention. Increased accidents result in increased premiums under State insurance rating and experience plans. The employer competes in the open market with

other employers in the sale of his products. If the competitors through better safety pay low workmen's compensation costs, they can undersell him or drive him out of business. Thus by State workmen's compensation the employer is in effect compelled to improve the safety of his operations.

An example from my own State where the first compulsory workmen's compensation act commenced in the year 1914, the first statistics on disabling injuries and work facilities were gathered for the year 1915. For that year there were 73.8 disabling work injuries per 1000 workers, whereas in the year 1968 the most recent complete year, the number had dropped to 30.9 per one thousand workers. In 1951 deaths per 10,000 workers were 5.8. By 1968 they had decreased to 1.1 per 10,000 workers. Other States show similar improvement of the institution of workmen's compensation systems.

Mr. Chairman, this incentive for safety will be lost if the States are driven from the field when benefits are paid through a Federal source drawn from tax revenues.

#### RETURN TO WORK INCENTIVE LOST

The best result for an injured worker is to be able to return to work and to support himself. To receive some kind of a dole, no matter how generous, is less desirable than the self-respect which comes in self-support. The removal of the offset for workmen's compensation payments against social security benefits will result in many workers receiving more in combined benefits than their gross salary for working. The incentive for these workers to return to gainful employment is thereby destroyed. They will resist a return to work at lower net payment than they receive for not working. This may continue until the State systems are destroyed by the proposed Federal encroachment.

Rehabilitation of an injured worker is a delicate process. Unless it is begun soon after the injury and carried forward with the utmost cooperation of the employer, the worker's family and the specialists, the chances of success are greatly diminished.

During the past 55 years State workmen's compensation administrators and private enterprise represented by employers and insurance carriers have developed the skills and techniques for handling this difficult task. The intervention of a Federal bureau which officially classifies a worker as totally disabled and offers him financial incentive to stay that way cannot avoid an unsettling effect on a worker and such intervention will hamper his rehabilitation.

#### MEDICARE BALLOONS MEDICAL EXPENSE FOR UNCONTROLLED TREATMENT

Under many State administered workmen's compensation systems the employer or insurance carrier control medical treatment or medical costs to some degree. Often the State board or commission has a general supervision over these matters to insure adequate treatment and reasonable charges. These employer and agency safeguards protect against excessive medical expense in workmen's compensation. Contrast the record of State administration with recent cost experience in Government operated medicare programs. Furthermore, the costs of medical treatment should be a charge against the industry and product, as described in item 4 above. The employer who has to pay



the disability benefits, both temporary and permanent, to the injured worker, has an interest in providing the very best medical care to reduce the disabilities. This incentive is lost under social security, paid for by tax revenues.

#### INCENTIVE TO REHIRE THE INDUSTRIALLY DISABLED LOST

The philosophy of State administered workmen's compensation is to rehabilitate injured workers and return them to employment, whereas the concept of social security is to support persons who have left the labor force. Some employers who are self-insured keep a worker on the payroll while he is disabled. Many employers find jobs for their temporarily or permanently disabled workers and thereby reduce their workmen's compensation costs. Destruction of the State systems by encroachment of social security may eliminate the incentive of employers to rehire the disabled.

#### CONCLUSION AND RECOMMENDATION

In summary, in order to preserve the State system of workmen's compensation with its expertise and flexibility, a system which operates without cost to the injured worker and with the incentives of safety, rehabilitation and reasonable medical expense under supervision, and which pays its own way without tax revenues, it is recommended that this honorable committee not pass the social security proposals for:

- (a) Change of definition of disability.
- (b) Change of eligibility from 6 to 3 months.
- (c) Removal of offset provision.
- (d) Extending medicare to treatment of work-caused injuries.

This statement presents the official position of the International Association of Industrial Accident Boards and Commissions on the matters specified. We thank you for the opportunity to appear here and would consider it a privilege to assist the committee by any further information.

Mr. BURKE (presiding). Thank you, Mr. Kaplan.

Are there any questions?

Mr. BYRNES. Mr. Chairman.

Mr. BURKE. Mr. Byrnes.

Mr. BYRNES. There is an area that I have been wanting to inquire about. It has nothing to do with the matter of federalization as such, because I certainly agree with you that this is an area that the States have been appropriately addressing themselves.

Let me ask, though, what the situation is with respect to the number who are insured as against the self-insured. Generally, most employers carry insurance rather than follow the self-insured route, do they not?

Mr. KAPLAN. Yes, sir. I can tell you that in our State 10 percent are self-insured. Nationwide, there are 13 States that permit self-insurance.

Mr. BYRNES. All require compulsory carrying of insurance?

Mr. KAPLAN. Generally so. Some even have monopolistic State funds where the insurance must be in the State-owned agency without competition.

Mr. BYRNES. What happens as far as the situation of the sole proprietor who, let's say, has an electrical shop and two or three em-

ployees and he goes out on jobs just like the others do? Are there any States that permit him to buy, for instance, that insurance that the State requires?

Mr. KAPLAN. Yes, sir. In California he has the right to insure as a self-employed person under a special statute. He pays a premium and recovers the benefits as if he were an employee. Unfortunately I believe the rates are quite high so that many businessmen are not encouraged to do that.

Mr. BYRNES. I assume that if self-employed were required by law to carry it, then there would be no question about its deductibility as a business cost from a tax standpoint.

I just wonder whether we have here a problem somewhat like the problem of pension and retirement plans for the self-employed. It seems to me that we do have cases where the employer himself should probably have some of the same benefits that the employee has or that he would have if he were incorporated. If he were incorporated there would be no question. The insurance would have to cover him as an officer of the corporation who was out working, wouldn't it?

Mr. KAPLAN. Up to the last legislative session in our State all officers were required to be insured. An amendment was passed allowing corporations which are closely held by two or three people to not violate the law by not carrying the officers. I speak of California, because the laws are different in different States.

I think there are some which eliminate officers of corporations and some which eliminate partners, and so on. The problem is that if the officer has the ownership of the very small closely held corporation and he reports an injury oftentimes the insurance carrier is in a disposition as far as analyzing the validity of the claim. But our experience up to this last session of the legislature has been that it was more a fear than an actuality.

Mr. BYRNES. You mean the problem with the insurance company appraising the claim?

Mr. KAPLAN. Yes; in our opinion, or in my opinion in particular, I think that was something they feared because it could happen and I don't think it happened very often.

Mr. BYRNES. What was the rationale in eliminating the coverage for the officers of a corporation?

Mr. KAPLAN. A closely held corporation?

Mr. BYRNES. Yes; I gather from what you said it was mandatory until they had an amendment that left them out. Where did that encouragement come from?

Mr. KAPLAN. Sir, I really cannot speak for our legislature as to what they had in mind when they did that.

Mr. BYRNES. You don't operate in a vacuum. You have some idea where the encouragement for that kind of an exemption comes from. Was it by the closely held corporation themselves?

Mr. KAPLAN. I think so. Premiums were quite high and the small business had this additional expense which they wished to avoid. The insurance carriers on the other hand were not eager to write this type of business so that between the two both were eager not to have it and I believe the legislature then listened to the unanimous voice of all concerned.



Mr. BYRNES. Maybe I am going up a blind alley, then. It just seemed to me that some of these people ought to be entitled, as a business operation, to cover themselves against these risks, as long as they were covering their employees. But from what you say, the insurance companies charge a higher rate where they are covering an officer of a corporation in a closely held corporation, rather than treating him like the balance of his employees.

Mr. KAPLAN. No, Mr. Byrnes. I can't say that. I think that workmen's compensation rates are high and I believe that the problem was how do you figure the earnings of this owner of a very small business who is using the corporate structure for tax reasons in his dealings with the Internal Revenue. We now have a situation where attorneys may incorporate, and may have for tax reasons, and our medical brethren are doing the same, so that in effect they are a one-man business, sometimes without employees, required by the technical provisions of the law to carry this insurance which is not higher for them than for anyone else, but it is just that it is the extra cost of doing business that they wanted to avoid. There is no discrimination against a person who is an officer of a corporation.

Mr. BYRNES. Thank you very much.

Mr. BURKE. Thank you, Mr. Kaplan. You have made a great contribution here today.

Mr. KAPLAN. Thank you.

Mr. BURKE. We will now hear from Dr. Dickerson.

#### STATEMENT OF DR. O. D. DICKERSON, FLORIDA STATE UNIVERSITY

Dr. DICKERSON. Thank you. I am honored, Mr. Chairman, to testify before your committee today. My name is O. D. Dickerson, and I am a professor of risk and insurance at Florida State University at Tallahassee. I am the author of Health Insurance, the leading college text in the field (3d ed., Homewood, Ill.: Richard D. Irwin, Inc., 1968) and am a lifelong student of social security.

I come before you today to plead with you to continue to exercise restraint in the expansion of OASD-HI so as to preserve a substantial role in our economy for private life and health insurance.

In a recently published article, I analyze the impact of the 1967 social security amendments on private insurance (Annals of the Society of Property and Casualty Underwriters, September 1969, pp. 263-282). I would like to request permission to include this article in the record.

Mr. BURKE. How voluminous is that? Do you want to include the whole article?

Dr. DICKERSON. Twenty pages.

Mr. BURKE. Without objection, it is so ordered.

(The document referred to follows:)

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# The 1967 Social Security Amendments and Private Insurance

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## *The "Floor of Protection" Hit the Ceiling*

The 1967 Social Security Amendments,<sup>1</sup> on top of the 1965 Amendments,<sup>2</sup> preempted another substantial segment of the private insurance market. In previous articles, this writer has described the impact of the 1965 Amendments on private health insurance<sup>3</sup> and the Social Security system as amended through 1968.<sup>4</sup> The purpose of this paper is to describe the impact of the 1967 Amendments, combined with the 1965 Amendments, on private disability income insurance, pensions and life insurance.

The American Social Security system was developed with the idea that the amount of social insurance benefit should be sufficient to provide

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Dr. Dickerson is Professor of Risk and Insurance at Florida State University where he has taught twelve years. From 1948 to 1957, he was on the faculty of the University of Pennsylvania where he earned his B.S., M.B.A. and Ph.D. degrees. He is best known to C.P.C.U.'s as Editor of *THE ANNALS*, to C.L.U.'s as the author of *Health Insurance*, and to actuaries for his studies in risk theory. He serves as consultant to a number of insurers, and is a Director of Provident Indemnity Life Insurance Company. In 1967, he was awarded the Harold R. Gordon Award as Health Insurance Man of the Year by the International Association of Health Underwriters. He is Chairman of the Commission on Insurance Terminology.

The author wishes to acknowledge the financial support of the Florida State University and of the Relm Foundation, which helped make this study possible. He also wishes to acknowledge the research assistance of Daniel R. Hawkes and Eric B. Tilton of F.S.U. without whose help the study never could have been completed on schedule. This article is based, in part, on the author's book, *Health Insurance*, (3rd ed., Homewood, Illinois: Richard D. Irwin, Inc., 1968).

<sup>1</sup> Public Law 90-248 (81 Stat. 821).

<sup>2</sup> Public Law 89-97 (79 Stat. 286).

<sup>3</sup> Dickerson, O. D., "The 1965 Social Security Amendments and Private Insurance," *THE ANNALS*, Vol. 19, p. 227 (September, 1966).

<sup>4</sup> Dickerson, O. D., "The World's Largest Insurance Plan: O.A.S.D.I.," *THE ANNALS*, Vol. 21, p. 263 (September, 1968).



a "floor of protection."<sup>5</sup> Social insurance should cover only those risks of fundamental economic importance to the family and should provide benefits at a level sufficient to sustain a minimum but decent standard of living. On this "floor" of benefits, provided as a matter of right, individuals can build their insurance programs with pensions, group insurance, individual insurance and savings.

The standard should be higher than that provided by public assistance, which should provide incomes just above the poverty level. However, the income provided by social insurance should be low enough to discourage malingering and low enough to encourage individual savings and private insurance to supplement it. Social insurance coverage then becomes a modest reward for a modest attachment to the labor market. Greater attachment to the labor force results in higher benefits, but still low enough that only the most unambitious family will consider them completely adequate.

The current social insurance system was founded on this "floor of protection" concept. Social insurance is supposed to cover the entire labor force and its dependents against the risk insured. All but the least ambitious and least productive employees will have pensions and group insurance provided through employers, unions or associations to supplement Social Insurance. This will provide additional protection against risks of death, disability and old age for employees of most firms. Individual insurance will be available further to supplement the protection for the self-employed and the majority of employees who will want greater coverage than social and group insurance together will provide.

The 1965 and 1967 Social Security Amendments seem to evidence a departure from this concept. From 1964 to 1968, the benefit formula was increased by 21 percent, the earnings base increased from \$400 per month to \$650 (62.5 percent), maximum primary insurance amount (P.I.A.) was increased from \$127 per month to \$218 (71.7 percent) and the maximum maximum family benefit (M.F.B.) was increased from \$254 per month to \$434.40 (71.0 percent). Despite the Johnson administration's preoccupation with its "War on Poverty," minimum benefits were increased only from \$40 to \$55 for an individual and from \$60 to \$82.50 for a family, an increase of 37.5 percent.

Chart 1 and Table 1 show all the acts with their major provisions as to benefit amount. Since 1939, the wage base has jumped from \$3,000

<sup>5</sup> See: Myers, Robert J., *Social Insurance and Allied Government Programs* (Homewood, Illinois: Richard D. Irwin, Inc., 1965), p. 25; Turnbull, J. G., Williams, C. A., and Chiet, E. F., *Economic and Social Security* (3rd ed., New York: The Ronald Press Co., 1967), pp. 45, 149-153, 634; Burns, Eveline M., *Social Security and Public Policy* (New York: McGraw-Hill Book Co., 1956), Part One.

**TABLE 1**  
**MONTHLY MINIMUM AND MAXIMUM BENEFIT PROVISIONS UNDER**  
**O.A.S.D.I. AND EARNINGS BASE COMPARED TO**  
**MEDIAN EARNINGS**

Year of Legis- lation	Median Earn- ings	Earnings Base		Minimum Primary Benefit		Maximum Primary Benefit		Minimum Maximum Family Benefit		Maximum Maximum Family Benefit	
		\$	% <sup>b</sup>	\$ <sup>d</sup>	% <sup>b</sup>	\$ <sup>d</sup>	% <sup>b</sup>	\$ <sup>g</sup>	% <sup>b</sup>	\$ <sup>f,g</sup>	% <sup>b</sup>
1935	\$102 <sup>c</sup>	250	245 <sup>c</sup>	10	9.8	85	83.3	—	—	—	—
1939	108	250	231	10	9.3	60 <sup>e</sup>	55.6	25	23.1	85	78.7
1950	268	300	112	20	7.5	80	29.8	40	14.9	150	56.0
1952	311	300	96.5	25	8.0	85	27.3	45	14.5	168.75	54.3
1954	321	350	106	30	9.1	108.5	32.8	50	15.1	200	60.4
1958	369	400	108	33	8.9	127	34.4	53	14.4	254	68.8
1961	412	400	97.1	40	9.7	127	30.8	60	14.6	254	61.6
1965	479	550	115	44	9.2	168	35.1	66	13.8	368	76.8
1967	510	650	127	55	10.8	218	42.7	82.5	16.2	434.40	85.2
1968 <sup>h</sup>	510	650	127	70	13.7	221	43.3	105	20.6	440.40	86.4
1971 <sup>h</sup>	561	750	134	70	12.5	248	44.2	105	18.7	480	85.6
1974 <sup>h</sup>	617	900	146	70	11.3	288	46.7	105	17.0	540	87.5

\* Median earnings for male four-quarter wage and salary workers in covered employment. Earnings in excess of the earning base partly estimated. Data for 1937-65 from *Social Security Bulletin*, Annual Statistical Supplement, 1965, p. 33. Projected for 1966-74 on basis of a 3.21 percent compound annual growth rate, the average annual increase from 1954-65.

<sup>b</sup> Percent of median earnings in year enacted (1935-67) or year prior to proposed effective year (1968-74).

<sup>c</sup> Data not available. Figure is for 1938.

<sup>d</sup> Payable to disabled or retired worker (before reduction for retirement before age 65).

<sup>e</sup> Assumes that 50 years of coverage is the maximum possible.

<sup>f</sup> Total benefit payable to retired worker and dependents or to all survivor beneficiaries.

<sup>g</sup> Maximum provision of 80 percent of average monthly wage also applies, but application may not reduce benefit to less than \$25 for the 1939 law, \$40 for the 1950 law, \$45 for the 1952 law, \$50 or one and a half times the primary insurance amount for the 1954 law, and \$20 plus primary insurance amount or one and a half times the primary insurance amount for the 1958 law. In some cases slightly larger amounts can be paid as the result of the provision for rounding benefit amounts (to next higher 10 cents for each beneficiary).

<sup>h</sup> Proposed but not enacted in 1967, to be effective in year shown.

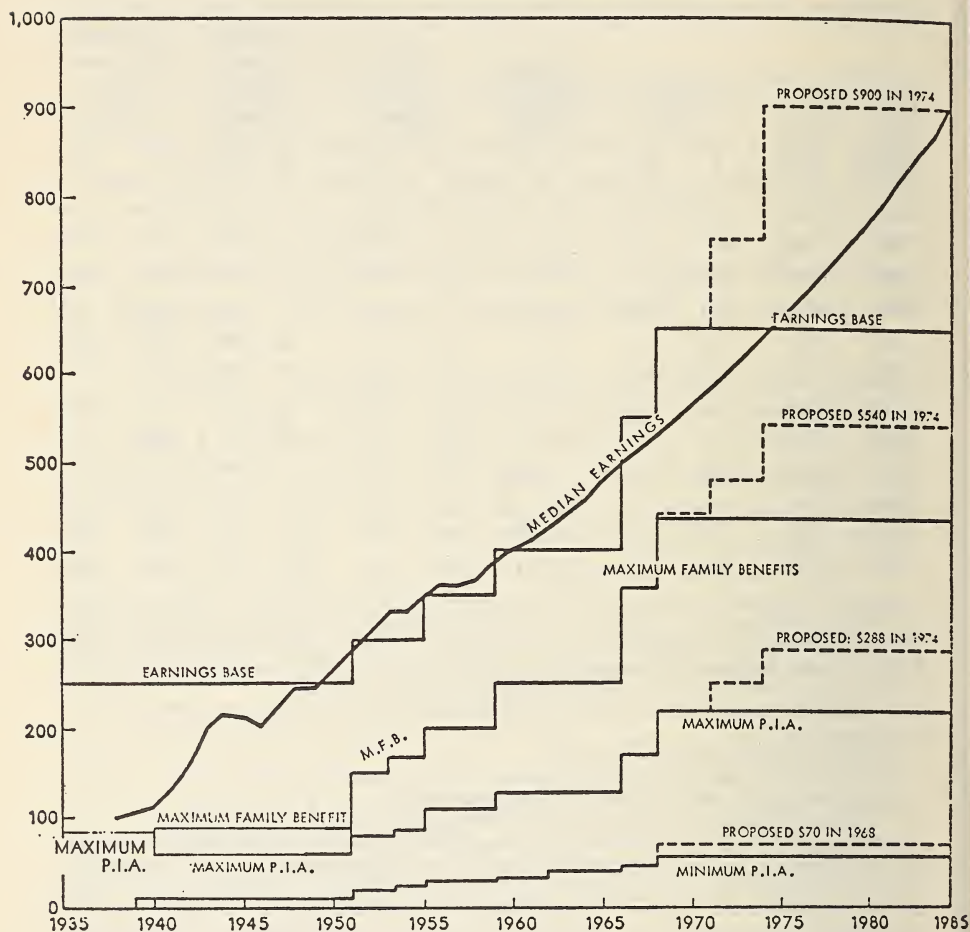
to \$7,800, while the minimum primary insurance amount has gone from \$10 to \$55, and the maximum primary insurance amount has increased from less than \$100 per month to \$218.

The benefit formula has been changed several times, mainly by increasing the percentage of average monthly wage (A.M.W.) in the existing law by a uniform percentage multiplier but the general effect



CHART 1

O.A.S.D.I. EARNINGS BASE, MAXIMUM FAMILY BENEFIT, MAXIMUM AND MINIMUM PRIMARY INSURANCE AMOUNTS COMPARED WITH MEDIAN EARNINGS



has been to benefit the middle income worker in all the amendments. Table 2 gives the various formulas. The percentage increases were 7 percent in 1958 and 1965 and 13 percent in 1967. The average monthly wage originally included all working years (after 1950 or 1936), but now the five lowest years may be dropped in order to produce a higher A.M.W.

In the 1965 and 1967 amendments, the increased benefit levels combined with the increased earnings base, produced a tremendous increase in benefit amounts. The maximum primary insurance amount (P.I.A.)

TABLE 2

O.A.S.D.I. BENEFIT FORMULAS UNDER THE SOCIAL SECURITY ACT  
AND ITS AMENDMENTS

<i>Formula Enacted in</i>	<i>Monthly Retirement Benefit</i>	
	<i>Basis</i>	<i>Percentages Applied</i>
1935	Cumulative wage credits	$\frac{1}{2}\%$ of first \$3,000 plus $\frac{1}{12}\%$ of next \$42,000 plus $\frac{1}{24}\%$ of next \$84,000.
1939	Average monthly wage <sup>a</sup> (A.M.W.) up to \$250 after 1936	40% of first \$50 plus 10% of next \$200, all increased by 1% for each year of coverage.
1950	A.M.W. <sup>a</sup> up to \$300 after 1950	50% of first \$100 plus 15% of next \$200.
1952	A.M.W. <sup>a</sup> up to \$300 after 1950	55% of first \$100 plus 15% of next \$200.
1954	A.M.W. <sup>a</sup> up to \$350 after 1950, excluding four or five years of lowest earnings	55% of first \$110 plus 20% of next \$240.
1958	A.M.W. <sup>b</sup> up to \$400 after 1950, excluding five years of lowest earnings.	58.85% of first \$110 plus 21.4% of next \$290.
1965	A.M.W. up to \$550 after 1950, excluding five years of lowest earnings	62.97% of first \$110 plus 22.9% of next \$290 plus 21.4% of next \$150.
1967	A.M.W. up to \$650 after 1950, excluding five years of lowest earnings	71.16% of first \$110 plus 25.88% of next \$290 plus 24.18% of next \$150 plus 28.43% of next \$100.

<sup>a</sup> Total credited earnings divided by months elapsed after year of attainment of age 21 or after "starting year" shown, whichever is more favorable.

<sup>b</sup> Total credited earnings divided by elapsed months for a number of years equal to number in the measuring period.

Source: Robert J. Myers, *Social Insurance and Allied Government Programs* (Homewood, Ill.: Richard D. Irwin, Inc., 1965), p. 49; P.L. 89-97 and P.L. 90-248.

was increased by 112 percent from 1939 to 1961 as median earnings increased by about 280 percent. From 1961 to 1967 the maximum P.I.A. increased by 72 percent, while median earnings increased an estimated 24 percent.<sup>6</sup>

Perhaps the best way to analyze the benefit amount increases is to express them as percentages of median earnings, in covered employment, as in Table 1. The major jump occurred in the earning base. This had been periodically increased to keep pace with median earnings of male four-quarter workers, ranging from 96.5 percent to 112 percent from

<sup>6</sup> See note a to Table 1. The projections are low. Median earnings increased 5.91 percent from 1965 to 1966 in a war-inflated economy to reach \$512.50 per month. From 1966 to 1967 the increase was 4.11 percent to \$528.33. The percentages in the text would be lower if recomputed on the actual earnings rather than on the projected.



1950 to 1961. If past patterns had been adhered to it would have been increased from \$4,800 to \$5,400 in 1963 and to \$6,000 in 1967. This would have matched the increase in earnings. However, the attention of Congress was occupied by the King-Anderson proposals, and the House-passed social security bill, increasing the earnings base to \$5,400, died in Conference Committee in 1964. The 1965 amendments over-compensated and increased the base to 115 percent of median earnings, and the 1967 amendments jumped this to 127 percent. This can be explained only as a deliberate change in policy, financing most of the increased O.A.S.D.I. benefits and much of the H.I. benefits from taxes paid by and on behalf of workers earning more than \$4,800 per year.

This, combined with successive benefit amount increases totaling 21 percent, pushed maximum benefits to their highest levels, as a percent of median earnings, since 1942, when earnings were only \$163 per month. Maximum primary insurance amount, which had been around 30 percent of median earnings, jumped to 35.1 percent in 1965 and 42.7 percent in 1967.

Similarly, the maximum maximum family benefit, which had ranged from 54.3 percent of median earnings to 68.8 percent from 1950 to 1965, was increased to 76.8 percent in 1965 and 85.2 percent in 1967. The only benefit amounts which were not increased more rapidly than earnings (which themselves increased more rapidly than prices during this period) were the minimum primary insurance amount and the minimum maximum family benefit. The minimum P.I.A. increased only from 9.8 percent of median earnings in 1937 to 10.8 percent in 1967. The minimum maximum family benefit which had ranged from 14.4 to 15.1 percent was increased to 16.2 percent of median earnings in 1967.

Thus, despite the expressed concern for "social adequacy" in benefit levels and "helping people get above the poverty line," the Congress disregarded the "floor of protection" concept and increased benefits more for the well-to-do than for the poor.

In so doing, it effectively destroyed the market for individual medium and long-term disability income insurance for people earning \$650 per month or less and cut substantially into the market for life insurance and private pensions. The following sections of this article will attempt to highlight the impact of these benefit increases on each line of insurance.

### *Disability Income Insurance*

By earning \$7,800 per year in 1968 and 1969, a worker born in 1941 or later can obtain a maximum family benefit of \$434.40, a worker born

in 1936 can obtain a M.F.B. of \$380.40 and a worker born in 1929 or earlier can obtain a M.F.B. of \$354.40. After a waiting period of six months these benefits are payable to a disabled worker with a wife and two children. Benefits are only slightly less for a worker with a wife and one child. For younger workers, these benefits are dangerously close to take-home pay and leave little or no room for private disability insurance without moral hazard.

The most pressing problem facing writers of disability insurance is avoiding overinsurance, particularly since the expansion of O.A.S.D.I. disability benefits under the 1965 and 1967 Social Security Amendments. The 1965 amendments to the Social Security Act not only created Medicare but also liberalized the definition of disability and increased the amount of benefits payable for it by liberalizing the benefit formula, increasing the earnings base, and increasing the maximum family benefits. The 1967 amendments increased benefits another 13 percent and increased the maximum family benefit for average monthly wage (A.M.W.) over \$370. For A.M.W. of \$650, the increase was 18 percent. They also reduced the period required for insured status for disability benefits to as little as 1½ years at the younger ages. There has been relatively little discussion of the effects of these changes on private insurance, perhaps because of the attention devoted to Medicare. Moreover, many feel the problem to be less pressing because of the delayed impact of the earnings base increase. However, many do not seem to understand the full impact of these amendments.

*The Problem.* The definition of disability now is inability to perform any gainful work which is available in the worker's area or generally in the national economy, which is expected to continue for a period of one year from disablement, or to result in death. There are still requirements for a six-month waiting or elimination period and that the claimant be fully insured under the O.A.S.D.I. program.

Consequently, more persons than ever before will be eligible to receive larger amounts of benefits. It follows that there will remain a smaller amount of uninsured average monthly income, hence, a lesser amount available for the private insurance industry to protect through its own disability income programs. This presents little problem in the higher income brackets because there is an upper limit to the disability benefits payments under Social Security, but for lower income groups there is little margin between D.I. benefits and take-home pay.

Maximum benefits of \$434.40 will be payable to disabled workers with two or more children and A.M.W. of \$650. The maximum is \$432 for a worker, wife and one child. Although older workers cannot attain



this A.M.W. until 2006, or by working until the age of 76, whichever comes first, their A.M.W. can increase fairly rapidly. Young workers, however, (born in 1941 or later) can attain an A.M.W. of \$650 by 1969.

Table 3 shows the amounts left for private insurance at various wage levels. The table was obtained by subtracting from the gross annual earnings the appropriate federal income taxes and social security (F.I.C.A.) taxes, dividing the result by 12 in order to derive the monthly take-home

TABLE 3  
RELATIONSHIP BETWEEN TAKE-HOME PAY AND  
DISABILITY INCOME BENEFIT

<i>Annual</i>					<i>Monthly</i>		<i>Monthly Margin for Private Insurance</i>	
<i>Number of Children</i>	<i>Gross Annual Income</i>	<i>Federal Income Tax</i>	<i>Employee F.I.C.A. Tax</i>	<i>Take Home Pay</i>	<i>Take Home Pay</i>	<i>D. I. Bene- fit</i>	<i>(1) Wife and Child</i>	<i>(2) Wife and Two Children</i>
1	\$7,800	\$936.98	\$374.40	\$6,488.62	\$540.72	\$432.00	\$108.72	
2	7,800	811.58	374.40	6,614.02	551.17	434.40		\$116.57
1	7,200	824.12	345.60	6,030.28	502.50	408.00	94.50	
2	7,200	698.72	345.60	6,155.68	512.97	415.20		97.77
1	6,600	711.26	316.80	5,571.94	464.32	379.90	84.42	
2	6,600	595.98	316.80	5,687.22	473.93	395.70		78.23
1	6,000	607.20	288.00	5,104.80	425.40	355.10	70.30	
2	6,000	495.00	288.00	5,217.00	434.75	374.90		59.85
1	5,400	506.22	259.20	4,634.58	386.21	330.00	56.21	
2	5,400	389.40	259.20	4,751.40	395.95	354.60		41.35
1	4,800	411.40	230.40	4,158.20	346.52	307.20	39.32	
2	4,800	290.40	230.40	4,279.20	356.60	322.50		34.10
1	4,200	306.90	201.60	3,691.50	307.62	280.80	26.82	
2	4,200	191.40	201.60	3,807.00	317.25	280.80		36.45
1	3,600	207.90	172.80	3,219.30	268.27	240.10	28.17	
2	3,600	96.80	172.80	3,330.40	277.53	240.00		37.53
1	3,000	112.20	144.00	2,743.80	228.65	202.40	26.25	
2	3,000	4.40	144.00	2,851.60	237.63	202.60		35.03
1	2,400	17.60	115.20	2,267.20	188.93	161.60	27.33	
2	2,400	0	115.20	2,284.80	190.40	161.60		28.80

pay, and finally deducting from this figure the amount of Disability Income (D.I.) payments. In the development of the table, certain assumptions were made. They were (1) the 10 percent optional standard deduction, (2) the filing of a joint return with spouse, (3) one dependent child in the first case and two children in the second case, (4) the breadwinner not self-employed, and (5) the breadwinner eligible for the maximum benefits available considering his average monthly wage for O.A.S.D.I. to be equal to current monthly earnings. To the extent that current monthly earnings exceed A.M.W. for O.A.S.D.I. a greater margin for private insurance will exist. Tax rates are for the year 1969 and assume a straight 10 percent surcharge since 1969 surcharge tables have not been published at the time of this writing. The effect is to overstate the tax at lower income levels, but few dollars are involved. F.I.C.A. taxes are scheduled to increase from 4.8 percent in 1969 to 5.9 percent in 1987. The next increase is to 5.2 percent in 1971-1972.

The means available for insurers to control overinsurance were discussed in an earlier article by this writer.<sup>7</sup> For individual insurance, underwriting is the only effective line of defense, since the Relation of Earnings to Insurance clause endorsed by the National Association of Insurance Commissioners had not received legislative approval in any state by mid-1969.

By this date, almost all group long-term disability income insurance contained a clause making the benefit excess over other benefits and insurance.<sup>8</sup> It is necessary to develop a system for prospective rate credits for an O.A.S.D.I. offset provision. Such a system must take into account the probability that each employee will be insured by O.A.S.D.I. for disability benefits. This will vary by age and sex, but will be much higher than before because of the liberalized requirements for disability insured status introduced by the 1967 Social Security Amendments. Then, the probable amount of benefit will have to be calculated. This will depend on Average Monthly Wage, which varies with age and sex and current wage. The probable amount of benefit also will depend on dependent status. This can also be handled by a probability approach, varying by age and sex.

For small groups, of course, information as to actual coverage status, earnings history and number and ages of children and spouse can be obtained and rate credits can be computed based on actual data rather than a probability model. Perhaps enough has been said to indicate the complexity of coordination between private insurance and O.A.S.D.I.

<sup>7</sup> "The 1965 Social Security Amendments and Private Insurance," *op. cit.*, p. 277 ff.

<sup>8</sup> *Ibid.* at p. 280.

## Private Pensions

Most employees earning more than \$400 per month,<sup>9</sup> will not benefit from O.A.S.D.I. increases because many will lose more in private pension benefits than they will gain in old-age benefits from O.A.S.D.I. Others will about break even. Only those not covered by private pension plans will benefit, but even they might do better if the additional employer-employee O.A.S.D.I. taxes payable were used to provide group annuities or individual annuities.

The American Life Convention prepared estimates for the Senate Finance Committee comparing the added benefits that were provided by H.R. 12080 (which was similar to the final legislation) and H.R. 5710

TABLE 4  
INCREASED BENEFITS AVAILABLE FROM INCREASED  
CONTRIBUTIONS: H.R. 12080, H.R. 5710 AND  
GROUP ANNUITY

	<i>Private Benefit from Tax Increase</i>		<i>Increased Social Security Benefit</i>
	<i>Employer-Employee</i>	<i>Self-Employed</i>	
Worker's Old-Age Benefits <sup>a</sup> :			
H.R. 12080 .....	\$ 67.34	\$ 41.51	\$ 44
H.R. 5710 .....	\$219.73	\$149.21	\$115
Worker's and Wife Old-Age Benefit <sup>a</sup> :			
H.R. 12080 .....	\$ 72.98	\$ 44.97	\$ 65
H.R. 5710 .....	\$238.02	\$161.65	\$121

<sup>a</sup> The proportion of tax allocated to the Old-Age benefit was 62.4 percent for worker alone and 67.6 percent for worker and wife.

Source: See footnote 10.

(the Administration proposals) with the group annuities that could be purchased privately for the amount of the increased taxes provided in these bills for a worker age 25 with earnings at the maximum earnings base. Table 4 shows that most workers and all employees in this category would be better off with private pensions. This is because the O.A.S.D.I. benefit formula favors low-income workers, while the tax rate is a flat percent of taxable earnings.<sup>10</sup>

<sup>9</sup> In 1965, 60 percent of male four-quarter workers, 48 percent of all four-quarter workers and 36 percent of all workers earned \$4,800 per year or more in covered employment. *Social Security Bulletin, Annual Statistical Supplement*, 1967, p. 42.

<sup>10</sup> U. S. Congress. Senate. *Social Security Amendments of 1967*, Hearings Before the Committee on Finance, 90th Cong. 1st Sess. on H.R. 12080, 3 Vols. Washington, D. C.: U. S. Government Printing Office, 1967, at pp. 1257-58.



The National Association of Life Underwriters presented similar data showing comparable benefits were purchasable under individual Retirement Annuity Contracts.<sup>11</sup> Comparisons of this type will always show that higher-paid and younger workers would do better under a system involving strict equity among individuals than under a social insurance system designed to favor low-income workers and the already old. In a paper to be published in the near future, this writer will attempt to measure this "inter-generation subsidy."

How much of the increased O.A.S.D.I. taxes would, in fact, have been saved and invested in pensions, annuities or insurance is impossible to measure. It is reasonable to conclude that some plans would have been established but were not and some would have been expanded, but were not. At the end of 1967, 27,555,000 active workers were covered by private pension plans and 6,500,000 were covered by state and local government plans, a total of 34,055,000.<sup>12</sup> Holland projects that these figures will increase to 42 million private employees and 13 million public employees by 1981, for a total of 55 million.<sup>13</sup> All of the private employees and most of the public employees are also covered by O.A.S.D.I. Thus, almost 39 percent of the 87,400,000 workers<sup>14</sup> with social security earnings are presently covered by private pension plans and this proportion will increase to 50 percent of the approximately 109 million workers with taxable earnings in 1980.<sup>15</sup> Many, if not most of the workers covered by the private plans and some of the workers in public plans are covered by plans which provide for integration or coordination of pension benefits with O.A.S.D.I. benefits. The Internal Revenue Code requires that a pension plan must meet certain qualifications in order to receive favorable tax treatment including the deduction of employer contributions and freedom from taxation of income and capital gains. One of these is that it is not discriminate in favor of officers, stockholders, supervisors or higher-paid employees. In recognition of the fact that O.A.S.D.I. discriminates in favor of lower-paid employees, the Internal Revenue Service permits some discrimination in pension benefits in favor of higher-paid employees so that the total benefits will be essentially non-discriminatory either way.

<sup>11</sup> *Ibid.* at pp. 1911-12.

<sup>12</sup> Institute of Life Insurance. *The Tally of Life Insurance Statistics*, January, 1969. The 34 million is 57 percent of the 59.5 million 4-quarter wage and salary workers under O.A.S.D.I. but some state and local government workers are not covered by O.A.S.D.I.

<sup>13</sup> Holland, Daniel M., *Private Pension Plans: Projected Growth*, New York: Columbia University Press, 1966, p. 138.

<sup>14</sup> *Annual Statistical Supplement*, 1967, *op. cit.*, p. 44.

<sup>15</sup> Myers, Robert J. and Bayo, Francisco, *Long Range Cost Estimates for Old-Age, Survivors, and Disability Insurance System*, 1966. (Actuarial Study No. 63), Washington, D. C.: Office of the Actuary, 1967.

Treasury Regulations and Revenue Rulings have been issued periodically spelling out detailed rules as to integration. These have the general effect of limiting the amount of pension differential in favor of higher paid employees, paid for by the employer.<sup>16</sup> Proposed new rules were circulated for integration with the 1965 Social Security Act but their restrictive nature drew such a storm of protest that they never were made final. When it became apparent that the Social Security Act was to be amended again, they were withdrawn. During this period, the Internal Revenue Service continued to approve plans integrated at the \$400 per month level of the 1958 law, or according to temporary procedures.<sup>17</sup> The new proposed Regulation and Ruling were circulated in 1968 and despite another storm of protest were made final in late 1968<sup>18</sup> and early 1969,<sup>19</sup> only slightly liberalized from the original proposals.

The ruling establishes 30 percent of final average compensation as the value of O.A.S.D.I. benefits paid for by the employer and thus as the maximum differential in benefits in favor of higher-paid employees.

This figure is based on the following reasoning which apparently has not benefited from any actuarial advice.

1. The maximum P.I.A. is approximately 36 percent of maximum A.M.W. at age 65.<sup>20</sup>
2. All other social security benefits add 50 percent to the value of social security.

$$150\% \times 36\% = 54\%$$

3. The employer contributes half the cost.

$$50\% \times 54\% = 27\%$$

4. Future legislative changes may increase this by around ten percent.

$$110\% \times 27\% \cong 30\%$$

For the first time, these rules recognize that maximum A.M.W. cannot be reached for retirement at age 65 until 2005 or 2006. Thus it established maximum integration levels equal to 12 times the maximum A.M.W. attainable by workers reaching age 65 in various years. This is referred to as a Covered Compensation Schedule (C.C.S.). If desired, a simplified schedule, with wage brackets of \$600, can be used. These are set forth in Table 5.

<sup>16</sup> For a description of how these rules worked in 1967-68, see Kluth, Fredrick J., "Pension Planning—Selecting the Benefit Formula," *THE ANNALS*, Vol. 21, p. 151 (June, 1968).

<sup>17</sup> *Internal Revenue Service Advance Rev. Rul.* 67-10 (TIR 876).

<sup>18</sup> *I.R.S. Reg.* 1.401-3, November 29, 1968.

<sup>19</sup> *Rev. Rul.* 69-4; *Internal Revenue Bulletin*, January 13, 1969, p. 9.

<sup>20</sup> The ratio varies with the year a worker reaches age 65 from 37.2 percent for a man attaining age 65 in 1969 or 1970 and including that year's earnings to 33.5 percent in late 2005 or 2006.

TABLE 5  
COVERED COMPENSATION SCHEDULE  
(Maximum Integration Level)

<i>Year of Birth</i>	<i>Year Age 65</i>	<i>Annual Compensation</i>	<i>\$600 Bracket Compensation</i>
1904	1969	\$5,160	\$5,400
1905	1970	5,352	
1906	1971	5,520	
1907	1972	5,652	
1908	1973	5,784	
1909	1974	5,892	6,000
1910	1975	6,000	
1911	1976	6,084	
1912	1977	6,168	
1913	1978	6,240	
1914	1979	6,312	6,600
1915	1980	6,372	
1916	1981	6,432	
1917	1982	6,480	
1918	1983	6,528	
1919	1984	6,576	
1920	1985	6,612	
1921	1986	6,660	
1922	1987	6,696	
1923	1988	6,720	
1924	1989	6,756	
1925	1990	6,792	
1926	1991	6,816	
1927	1992	6,840	
1928	1993	6,864	
1929	1994	6,900	7,200
1930	1995	6,984	
1931	1996	7,080	
1932	1997	7,176	
1933	1998	7,260	
1934	1999	7,332	7,800
1935	2000	7,416	
1936	2001	7,500	
1937	2002	7,572	
1938	2003	7,656	
1939	2004	7,728	
1940	2005	7,764	
1941 or later	2006	7,800	



The 30 percent differential can be applied at any integration level not greater than the C.C.S. and applied to the excess of average annual compensation over such integration level. Average annual compensation may be defined in any way not more favorable to the employee than the average of the five *consecutive* years which will produce the highest average.

Plans which were properly integrated on July 5, 1968 must meet the new standards by January 1, 1972. Total pension benefits may be based on an average, weighted by years of service, of benefits accrued before and after the changeover date. Any, if not most, such plans will have to be modified, either to decrease benefits for higher-paid employees, increase benefits for lower-paid employees, or both.

For example, the following choices, among others, would be open to a plan currently providing an employer-financed pension benefit of 37½ percent of average annual compensation in excess of \$4,800 per year:

1. Pay less to higher-paid employees: a benefit of 30 percent of excess of average compensation over covered compensation schedule. Employer gains the resulting premium differential to make up for his higher social security taxes.

2. Pay more to lower-paid employees: a benefit of 37½ percent of excess compensation over \$4,800 plus 7½ percent of compensation up to \$4,800. Employer cost increases by the cost of benefits based on 7½ percent of payroll up to \$4,800 per employee on top of higher social security taxes.

3. Combine the two approaches: Pay a benefit of 33 percent of excess over integration level plus 3 percent of compensation up to the integration level. Some integration level less than C.C.S. could be selected so that employer cost would remain the same.

Similar cut-backs in benefits for higher-paid employees apply to other than "final average" plans. For unit-benefit plans, the integration level may be the C.C.S., the maximum taxable earnings in each year (currently \$7,800) or, for service prior to changeover date, the covered compensation for an employee reaching 65 that year. The maximum differential is 1 percent per year of service as compared to 1¼ percent under prior rules. These rates apply to plans which base benefits on actual earnings; for plans which base benefits on final-average excess earnings, the new rate is ¾ percent per year of service. This would require 40 years' service, a rare occurrence, to equal the 30 percent of the fixed benefit plan.

For money-purchase or profit-sharing plans, the maximum integration level is the same as for unit-benefit plans. The maximum contribution

differential is 6 percent for future service, as compared to  $9\frac{3}{8}$  percent previously, and 4 percent for past service. Profit-sharing plans do not usually cover past service but a minimum contribution of \$48 per participant may be provided. An offset plan is a plan in which pension determined by some nondiscriminatory benefit formula is decreased by some proportion of Old-Age benefits. The ruling permits an offset of  $83\frac{1}{3}$  percent of P.I.A. computed in accordance with the Social Security Act as in effect in 1968 or 75 percent of P.I.A. computed on the basis of the Act as in effect at the time (in the future) such offset is first applied. Prior rulings had permitted an offset of 117 percent of P.I.A.

Most employees earning more than \$4,800 per year thus will find their higher social security benefits offset by decreases in private pension benefits. In the case of the very high paid employees, the decreases will be substantial. For example, a corporation President earning \$25,000 per year covered by a money-purchase plan would find that his employer's contribution to the plan on his behalf would be reduced from \$1,893.75 ( $9\frac{3}{8}\%$  of 20,200) to \$1,032.00 (6% of 17,200). This is a high price to pay but to avoid it the employer would have to contribute  $3\frac{3}{8}$  percent on all payroll below \$7,800.

The substitution of Social Security taxes for contributions to private pension plans will have an inflationary impact on the economy. The O.A.S.D.I. system is essentially on a pay-as-you-go basis. In fiscal 1967-68, for example, cash benefit payments were 91.5 percent of net contribution income in the O.A.S.I. Trust Fund and 77.4 percent in the D.I. fund.<sup>21</sup> The benefit payments flow to consumers and are quickly spent, adding fuel to inflation. In contrast, a large proportion of private pension contributions are invested in securities and mortgages providing capital for an expanding economy. In 1967, assets of private and state and local government pension plans increased by almost 15 billion dollars while the O.A.S.D.I. funds increased by less than four billion dollars. Benefit payments were about 44 percent of contributions to private plans and 50 percent of contributions to state and local government plans.<sup>22</sup>

## *Life Insurance*

In disability income benefits, the social security floor of protection is almost to the ceiling of moral hazard, 100 percent of take-home pay. In old-age benefits, as the floor of protection is raised by the Congress, the Internal Revenue Service lowers the ceiling of maximum integration differentials. In each case private industry is squeezed out wholly or

<sup>21</sup> *Social Security Bulletin*, June, 1969, p. 30.

<sup>22</sup> *Tally of Life Insurance Statistics*, *op. cit.*

in part. In death benefits no such ceiling exists short of the human life value. Even if potential death benefits exceed the life value (as retirement approaches, and thereafter) moral hazard is relatively slight because of the legal and moral constraints against murder and suicide.

TABLE 6  
FACE VALUE EQUIVALENT OF SURVIVORS' BENEFITS

	1965 (1961 Act)	1970 (1967 Act)
1. Current Monthly Wage .....	\$ 700.00	\$ 700.00
2. Average Monthly Wage .....	400.00	650.00
3. Primary Insurance Amount (P.I.A.) .....	127.00	218.00
4. Survivor's Benefit, Wife with One Child (150% of P.I.A.) .....	190.50	327.00
5. Survivors' Benefit, Widow and Two Children (M.F.B.) .....	254.10	434.40
6. Additional Survivors' Benefit for Second Child (5.—4.) .....	63.60	107.40
7. Widow's Benefit at Age 62 (82½% of P.I.A.) ...	104.80	179.90
8. Monthly Life Income per \$1,000 Insurance, Female, age 62 <sup>23</sup> .....	5.34	5.34
9. Value at age 62 of Widow's Benefit (7÷8) .....	19,625.47	33,689.14
10. Probability of Widow Surviving to 62 <sup>24</sup> .....	0.873	0.873
11. Present Value of \$1.00 37 Years Hence (3½%) .....	.2800	.2800
12. Present Value at Age 25 of Widow's Benefit at Age 62 (9.×10.×11.) .....	4,799.21	8,238.34
13. Monthly Income per \$1,000 Insurance, 17 Years Fixed Period <sup>25</sup> .....	6.17	6.17
14. Value of Survivors' Benefit for Wife and Younger Child (4.÷13.) <sup>25</sup> .....	30,875.20	52,998.38
15. Monthly Income per \$1,000 Insurance, 15 years Fixed Period <sup>25</sup> .....	6.81	6.81
16. Value of Survivor's Benefit for Older Child (6.÷15.) <sup>25</sup> .....	9,339.21	15,770.93
17. Lump Sum Benefit <sup>26</sup> .....	255.00	255.00
18. Total Value of Survivors' Benefits (12.+14.+16.+17.) .....	45,268.62	77,262.65

<sup>23</sup> Settlement option values are those of State Mutual Life Assurance Company of America, the first company offering a straight life income option which the author found in *Flitcraft Settlement Options 1967*. Interest rate is 2½%.

<sup>24</sup> *Vital Statistics of the United States, 1967*, Vol. II, Section 5, pp. 5-9. Life Table values are for white females. The probability of survival for non-white females 0.735.

<sup>25</sup> No adjustment in these two figures was deemed necessary for the probability of death, marriage or remarriage of a beneficiary.

<sup>26</sup> This maximum was introduced in the 1954 act and never has been changed.



Thus no ready measure of the impact of Social Security Act changes on the market for life insurance is available. One approach would be to consider a typical prospect, age 27 with a 25-year-old wife, two children age 3 and 1 and an income of \$700 per month, and determine the face amount equivalent of the increase in Survivor's benefits between 1965 and 1968. Whether in fact his perceived need for life insurance would reduce is, of course, debatable. On the one hand, the traditional programming approach to life insurance sales would reduce his life insurance need (for income) dollar for dollar. On the other hand, many people, including this writer, would view the added survivors benefits as further protection against an under-insured contingency and continue to wish they could afford more life insurance after paying increased income and social security taxes.

Table 6 shows the computation of the face amount equivalent of O.A.S.D.I. survivor benefits under the Social Security Act in 1965 and 1970.

Thus, a typical young prospect with two children would have survivors' benefits equivalent to 22 thousand dollars more under the 1967 Act than under the Act before 1965, an increase of 70.5 percent. This is less than the 72 percent increase in maximum P.I.A. but approximately equal to the 71.0 percent increase in maximum M.F.B. To the extent people are aware of the magnitude of O.A.S.D.I. increases, the market for private life insurance will be impaired.

### *What Next . . . ?*

As was shown above, recent changes in the O.A.S.D.I. program have made substantial inroads into the area of private voluntary insurance. This has been little noticed nor often remarked upon. The insurance industry made little effort to oppose these changes. The only opposition to the benefit increases of the 1967 Amendments from the industry was expressed to the Senate Finance Committee by George W. Young, accompanied by John Miller, on behalf of the American Life Convention, The Life Insurance Association of America and the Life Insurers Conference. Their testimony, together with a prepared statement and supporting exhibits, occupies sixteen pages out of the 2,387 pages in three volumes of Finance Committee *Hearings*.<sup>27</sup> The National Association of Life Underwriters<sup>28</sup> and the International Association of Health Underwriters<sup>29</sup> acquiesced in the House-passed bill but opposed the Administra-

<sup>27</sup> *Op. cit.*, note 10, pp. 1244-59.

<sup>28</sup> *Ibid.*, pp. 1907-12. The N.A.L.U. had called for the benefit increase to be limited to 7 or 7½ percent in the House Ways and Means Committee hearings.

<sup>29</sup> *Ibid.*, pp. 1628-32.

tion proposals for even higher benefits. The Health Insurance Association of America (in a written memo),<sup>30</sup> The Blue Cross Association<sup>31</sup> and the National Association of Blue Shield Plans<sup>32</sup> offered recommendations dealing mainly with the administration of Medicare and Medicaid. The American Mutual Insurance Alliance, the American Insurance Association and the National Association of Independent Insurers, appearing together for once, requested measures to eliminate the duplication of benefits between Medicaid, Medicare and Disability Insurance programs on the one hand and workmens' compensation and liability insurance on the other.<sup>33</sup> By contrast, the United Auto Workers<sup>34</sup> got 52 pages, the A.D.C. Association of Lane County, Oregon<sup>35</sup> got five and Senator Edward Kennedy got 15.<sup>36</sup> It is nice for the insurance industry to speak with one voice, but it might be better heard if it spoke with many other voices as well. The N.A.L.U. and I.A.H.U. and the officers of companies should be able to carry their message to every legislator at home in his own constituency. Until they can do so, they must expect further expansion of government programs to meet risks of death, disability and old-age. In the Property-liability area, federal riot<sup>37</sup> and flood<sup>38</sup> re-insurance programs already are in effect and Congress presently is considering a Federal Motor Vehicle Guaranty Fund.<sup>39</sup> It is to be hoped that the property-liability insurance industry will heed the experience in the life-health field and not only serve the public well but make that service well known to the people and to Congress.

Meanwhile, back in the Department of Health, Education and Welfare, the "World's Largest Insurer" plans further expansion of Social Security at the expense of private enterprise. In the next-to-last issue of the *Social Security Bulletin* to bear his name as Secretary,<sup>40</sup> Wilbur J. Cohen recommended the following changes in the Social Security system:<sup>41</sup>

<sup>30</sup> *Ibid.*, pp. A141-A146.

<sup>31</sup> *Ibid.*, pp. 915-930.

<sup>32</sup> *Ibid.*, pp. 1562-70.

<sup>33</sup> *Ibid.*, pp. 1570-76.

<sup>34</sup> To be precise, the International Union United Automobile, Aerospace and Agricultural Implement Workers of America—*ibid.*, pp. 1637-89.

<sup>35</sup> *Ibid.*, pp. 1793-7.

<sup>36</sup> *Ibid.*, pp. 900-915.

<sup>37</sup> Denenberg, Herbert S. and Teberg, Richard L., "Meeting the Insurance Crisis of Our Cities: The Theory and Reality of Legislative Reform." *THE ANNALS*, Vol. 72, p. 121 (June, 1969).

<sup>38</sup> An article for *THE ANNALS* is now in process.

<sup>39</sup> Strain, Robert W., "An Analysis of the Proposed Federal Motor Vehicle Insurance Guaranty Corporation," *THE ANNALS*, Vol. 22, p. 139 (June, 1969).

<sup>40</sup> In the February issue, the name of the Secretary was changed to Robert H. Finch and Mr. Finch's appointment was reported in an eight-line item in the March issue. Through the August issue, nothing else has changed.

<sup>41</sup> Cohen, Wilbur J., "A Ten-Point Program to Abolish Poverty," *Social Security Bulletin*, December, 1968, p. 3.

1. A 15% benefit increase with a \$70 minimum (later to be raised to \$100) for a single retired worker and \$105 for a couple and a benefit to uninsured workers age 72 and over of \$55.

2. Basing benefits on a worker's highest consecutive 5 or 10 years of earnings, rather than a lifetime average.

3. Increasing the earnings base to \$10,000 in 1970 and \$15,000 in 1972 with automatic increases thereafter.

4. Payment of disability income benefits commencing with the fourth month of disability (*i.e.* a three-month waiting period) without regard to prospective duration of disability.

5. A liberalized definition of disability for workers over age 55 (inability to "perform work similar to what he has done in the past.")

6. Liberalization of the earnings test.

7. Coverage of prescription drugs under Medicare.

8. Coverage by Medicare of disabled O.A.S.D.I. beneficiaries.

9. Financing both parts of Medicare by employee-employer payroll taxes with a matching contribution from federal general revenues.

In late December, 1968 and early January, 1969, H.E.W. sent a series of reports to the Congress or the President. These were called for by law or requested by Congress and recommend the following changes,<sup>42</sup> among others:

1. Medicare Coverage of disabled O.A.S.D.I. beneficiaries financed half from payroll taxes (0.4 percent employer-employee or 0.2 percent each) and half from general revenue.

2. A mild liberalization of the retirement test.

3. Coverage of prescription drugs under Medicare on a limited basis.

4. Coverage of Federal employees by Medicare, making Federal Employees Health Benefits a complementary or excess coverage at age 65.

The Johnson Administration budget called for a 10 percent increase in social security benefits. This was reduced to 7 percent by the Nixon Administration. Neither the House Ways and Means Committee nor the Senate Finance Committee had taken any action or scheduled hearings on social security by mid-1969. The Nixon Administration has not yet penetrated the Social Security Administration nor charged an Assistant Secretary with this responsibility. The same people in the Social Security Administration are holding the same jobs, doing the same kinds of things

<sup>42</sup> "Reports to Congress on OASDI Studies," *Social Security Bulletin*, March, 1969, p. 10.



and espousing the same "expansionist" philosophy as they were in the preceding administration. Some have been there since the Roosevelt Administration.

Myers has characterized two viewpoints or philosophies as to the proper role of government security programs as expansionist and moderate.<sup>43</sup> The moderates see government programs as appropriate to provide no more than half of economic security needs, leaving the other half to private pensions, insurance and savings. The expansionists feel that government programs should do the whole job for 90 percent of the population and tend to ignore or belittle the contributions of private enterprise.

Even aside from Parkinson's Law it is natural for those operating a government program to feel that it is good and want to expand it. Thus, the few moderates in the Social Security Administration are outnumbered by the expansionists whose philosophy dominates. Whether the new president and the new secretary can change this in 3½ years, or even in 7½ years, remains to be seen.

## Conclusion

Continued expansion of social security has largely taken over the areas of medical expense benefits for the aged and disability income for the long-term disabled. Future expansion threatens to invade further the market for private pensions and life insurance. The private insurance industry has been unable to contain this expansion and has not tried very hard or very effectively to do so. The expansionist philosophy continues to dominate the Social Security Administration, and President Nixon and Secretary Finch are not doing anything about it.

It is time for the private insurance and pension industry to mobilize its forces on behalf of the moderate viewpoint and the 85 million people paying social security taxes. If the expansionists prevail, private life and health insurance and pensions will become a luxury for the wealthy. It is time for the property-liability industry to put *its* house in order and mobilize its forces, lest, in another decade or two, it will see half its job being done by government. It is time for all thinking Americans to hold the social security system to about its present relative size. If the expansionist philosophy, that government can do it better, prevails in other areas of the economy, by the turn of the century there won't be any wealthy. The war on poverty will have been lost on the principle that "if you can't lick them, join them!"

<sup>43</sup> Myers, Robert J., "Government and Pensions," to be published by American Enterprise Institute.

Dr. DICKERSON. Thank you.

In this paper I show that among other things:

1. There is almost no room for private medium-term and long-term disability income insurance for workers earning \$7,800 per year or less. The disability income benefits of social security are too close to take-home pay. So there is no room to write a private policy.

2. The Treasury Department rules for integrating private pension benefits with OASDI have forced cutbacks in pension contributions and benefits. Social security is essentially an inflationary program. Private pension plans are deflationary since they contribute to private capital formation. Every time the earnings base is increased, additional adjustments have to be made in the private pension plan.

3. From 1965, under the 1961 act, to 1970, under the 1967 act, the life insurance face-amount equivalent value of survivors benefits under OASDI increased 70 percent. For a worker with maximum earnings, the increase was from \$45,000 to \$77,000.

In many ways, the private plans provide benefits superior to those of social security. For example, one can pay social security taxes all his life, die at age 64 with no eligible dependent, and receive a death benefit of no more than \$255. Private disability income insurance provides a wide choice of waiting period, disability definition, and benefit duration. Private life insurance and pension benefits are paid without regard to earnings. We should keep a significant role for them in our social security system.

I am particularly concerned with the increased earnings-and-contribution base. Every time this is increased, maximum benefits increase and the area for private insurance is diminished. I favor the administration's proposal tying the earnings base to average covered earnings, but I submit that \$7,800 was too high for 1968 and \$9,000 will be too high for 1972. I would recommend that the earnings base be kept at \$7,800 and the automatic adjustment commence in 1974.

If we compare the earnings base with the median four-quarter earnings for the worker in covered employment, we see that the current earnings base, \$7,800, was 123 percent of the median earnings of four-quarter wage and salary workers in covered employment in 1967. This compares with 112 percent in 1950; 97 percent in 1952; 106 percent in 1954; 108 percent in 1958; 97 percent in 1961; and 115 percent in 1965. I submit that 100 percent would be an appropriate relationship, providing maximum OASDI benefits for workers with median earnings.

I recommend that benefit liberalizations be limited to those which can be financed from the presently visible actuarial experience gains and that the earnings base not be increased until the automatic feature comes into play in 1974 or later.

Again, I plead with you to leave some room for private enterprise. Time constraints preclude comment on other aspects of the bill.

May I request permission to extend my remarks in writing for the record?

Mr. BURKE. Yes, sir. Without objection, it is so ordered.

Are there any questions?

Thank you very much.

Dr. DICKERSON. Thank you.

(The extension of remarks follows:)

EXTENDED STATEMENT OF DR. O. D. DICKERSON, PROFESSOR OF RISK AND INSURANCE, THE FLORIDA STATE UNIVERSITY, TALLAHASSEE, FLA.

Because of time limitations, my original testimony before the Committee, October 24, 1969, was limited to the President's Proposals for Social Security Amendments or 1969 and specifically to the proposed increase in the contribution and benefit base. In this extended statement, I would like to comment further on this and also on other items of the President's Proposals.

CONTRIBUTION AND EARNINGS BASE

In my article, "The 1967 Social Security Amendments and Private Insurance" which is included in the record of these Hearings, I demonstrate that the level of the earnings and contributions base represents the effective dividing line between Social Security, on the one hand, and private insurance and pensions on the other. For all practical purposes, people whose earnings are equal to or less than the contribution and earnings base have most of their security needs met by Social Security. Group insurance and private pension plans supplement this protection for most workers, but must be integrated with Social Security benefits. If this is not done with disability benefits, over insurance and moral hazard will result. In regard to old age pensions, the integration must conform to the complicated and needlessly restrictive regulations of the Treasury Department. Private individual insurance, characterized by freedom of choice and equity among individual insureds, finds its only remaining role in the provision of additional benefits to those earning substantially more than the contribution and earnings base. Thus, every increase in this base decreases the role of private insurance and decreases the freedom of choice of Americans in their spending of their security dollars.

I support the President's Proposal for an automatic adjustment in the contribution and earnings base in accordance with future changes in earnings levels, but oppose the increase to \$9,000 per year in 1972.

Specifically, I recommend that the contribution and earnings base be maintained at \$7,800 per year through 1974 and the automatic increases, as provided in the President's Proposals, commence in 1975, with the new base equal to the product of the ratio of average earnings in the most recent year to average earnings in 1973, times \$7,800.

The Administration Bill uses the term "average taxable wages" but does not appear to define it. I recommend that the automatic increases be computed using the series "Median Annual Earnings, 4-quarter wage and salary workers, Men" which appears in the next-to-the-last column of Table 35 in the Social Security Bulletin Annual Statistical Supplement, 1967 (p. 41). This series reflects total earnings, not taxable earnings, and thus is not affected by changes in the contribution and earnings base. I believe that the contribution and earnings base should approximately equal this figure. Basing the contribution and earnings base on the median earnings of males who worked in all four quarters of the year will establish a level that will include half of all such male four-quarter workers, most female workers and almost all part-time workers. The following table shows the relationship between this series for 1960 to 1967 and the contribution and earnings base with my projections to 1975.

TABLE 1.—MEDIAN EARNINGS COMPARED TO EARNINGS BASE<sup>1</sup>

Year	Median earnings	Percent increase in year	Earnings base	Earnings base as percent of median earnings
Actual:				
1960.....	\$4,837	3.4	\$4,800	99.2
1961.....	4,950	2.3	4,800	97.2
1962.....	5,139	3.8	4,800	93.4
1963.....	5,298	3.1	4,800	90.6
1964.....	5,530	4.4	4,800	86.8
1965.....	5,740	3.8	4,800	83.6
1966.....	6,090	6.1	6,600	108.4
1967.....	6,340	4.1	6,600	104.1
Projected:				
1968.....	6,587	3.9	7,800	118.4
1969.....	6,844	3.9	7,800	114.0
1970.....	7,111	3.9	7,800	109.7
1971.....	7,388	3.9	7,800	105.6
1972.....	7,676	3.9	7,800	101.6
1973.....	7,975	3.9	7,800	97.8
1974.....	8,286	3.9	7,800	94.1
1975.....	8,609	3.9	8,400	97.6

<sup>1</sup> Four quarter wage and salary workers, men.



Under my proposals, this would trigger an increase in the contribution and earnings base to \$8,400 in 1975. The calculation is as follows.

$$\begin{aligned} & \frac{\text{Median Earnings, 1974}}{\text{Median Earnings, 1973}} \times \$7,800 \\ &= \frac{\$8,286}{\$7,975} \times \$7,800 = \$8,104 \end{aligned}$$

Rounded to nearest \$600 = \$8,400

This would equal 97.6 percent of the projected median earnings of \$8,609 for 1976.

This table dramatizes the conclusion that the increases in the contribution and earnings base in the 1965 and 1967 amendments were too great and that the level should be maintained at \$7,800 until median earnings catch up, around 1973.

#### OTHER SOCIAL SECURITY PROPOSALS

In general, I would support the rest of the President's Proposals for the Social Security Amendments of 1969, with minor adjustments. A benefit increase of not more than 10 percent seems to be justified. However, I would recommend deferring the effective date to benefits for January, 1971. I support the proposal for automatic future increases based on the Consumer Price Index subject to the caveat that this will have the effect of intensifying the tendency towards inflation in the price level. Thus, other fiscal and monetary restraints must be maintained.

I support the liberalization in the retirement test and its future automatic adjustment. This is a move in the direction of greater equity between those who work and those who retire. Similarly, I support the age 62 computation point for men as a move towards equity between the sexes.

I support the proposal for entitlement to child's disability benefits for persons disabled between age 18 and 22. This helps to close a gap in coverage.

I support the increased allocation of contributions to the disability trust fund and the increased Hospital Insurance tax as necessary adjustments.

I neither support nor oppose the proposals for non-contributory wage credits for military service between 1956 and 1968.

I support the provision of benefits for dependent parents of retired or disabled workers provided such benefits would not reduce the benefits of the worker, his wife and his children.

I oppose the proposed increase in widows and widowers benefits for those who came on the rolls after age 62. This would increase benefits for many present beneficiaries, who also would receive the 10 percent benefit increase of the Bill. Elimination of this item from the proposals would offset the revenue loss of 0.23 percent of taxable payroll resulting from holding the contribution and earnings base at \$7,800.

In summary, I support the Administration Proposals with the exception of the effective date of benefit increase, the increase in contribution and earnings base to \$9,000 and the increased benefits for widows over age 62. This would be a rational moderate Amendment which would move the O.A.S.D.I. system towards greater equity. I urge the Committee not to be swayed by those who advocate further expansion and liberalization of the system beyond the level of the President's Proposals.

#### WELFARE REFORM

I do not believe that the working taxpayers are as yet ready to provide benefits for the "working poor" and cannot support the President's Proposals for the Family Assistance Plan at this time. I believe that further study and education of the public should take place before such a proposal is enacted.

I do support the other proposals in Title II of the Administration Bill including combining the programs for the aged, blind and disabled and for minimum benefits. I cannot comment on the proposed \$90 minimum for benefits including other income not disregarded. It does exceed the present (June, 1969) average monthly payment (a different thing) in all but four states.

With regard to Aid to Families with Dependent Children, I recommend legislation parallel to that for Aid to the Aged, Blind and Disabled, with minimum benefits including other income not disregarded perhaps of \$40. This figure is less than the average payment per recipient (again, a different thing) in 22 states in June, 1969.

The most important thing that needs to be done to solve the AFDC problem is to attack the cause of the problem. The cause is that too many children are being born in poor families or non-families. Congress should make mandatory the furnishing of birth control (family planning) information, supplies and services to all females of child-bearing age in poor and near-poor households. This should especially include unmarried female children in AFDC families. The cycle of poverty should be broken where it starts, with the conception of an unwanted child. Title XIX funds should be made available for a massive attack on this problem.

I appreciate the privilege of including this statement in the record.

Mr. BURKE. Our next witness is Mr. Brandt.

### STATEMENT OF EDUARD C. BRANDT, WEST HARTFORD, CONN.

Mr. BRANDT. Mr. Chairman and distinguished members of the committee:

Before I mention my name, I would like to say, as an unknown citizen approaching Washington and representing maybe one of millions, at the National Airport I looked at the building and I would have loved to have seen an eagle here. It took some hours before I arrived here and see the four eagles in this room. And I wish the House Ways and Means Committee would move one of them down to the airport and put it on the center of that building.

My name is Eduard Brandt. I am from West Hartford, Conn. For 28 consecutive years and presently I am an agent of the Connecticut General of Bloomfield, of the general area of Hartford, whom I do not represent here. I represent myself. I represent my wife, age 74, and the hundreds of thousands of other sick, chronically sick senior citizens who cannot speak for themselves.

For a considerable time I have looked forward to possible action to aid these people, and my thoughts have been put down in this message, which I hope will have your concern.

The subject matter which I am about to present relates to needed amendments to HEW in this 91st Session of Congress, providing in part: nursing services, day-care centers, financial assistance, and a new concept of housing for families of senior citizens where a mother, father or spouse suffers from prolonged chronic disease, and, in the respect of my proposals, and receiving under the practical application of the law, ZERO benefits.

#### I. DEFINITIONS

1. *Chronic sickness*.—A malady or disease which has afflicted a senior citizen for a consecutive prior period of 6 months, with total disability, requiring custodial and/or nursing care.

2. *Eligibility*.—All diseased and totally disabled American citizens over age 65 suffering from chronic sickness, including those not covered but a spouse or parent of a covered person, under HEW.

3. *Nurse*.—Any individual performing required nursing care of a senior citizen as attested to by a physician.

4. *Family housing*.—New apartment units restricted to families caring for a senior citizen suffering chronic disease and/or requiring nursing care, excluding mental and contagious ailments.

5. *New major medical insurance program*.—To be superimposed coverage on 80 percent coinsurance basis commencing at age 65.



## II. RECOMMENDATIONS

1. *Nursing care.*—That nursing care for the elderly be defined as care, including registered nurse, visiting nurse, "custodial care," nurse's aide, et cetera, for a sick person, performed by any person other than a spouse, authorized and attested to by the sick person's physician or Christian Science practitioner, in any location of residence where the patient is cared for, and be reimbursed under provisions of medicare.

2. *Nursing Corps.*—Utilizing the services of thousands of men and women, an entirely new federally-sponsored national nursing organization be created and named National Health Nursing Corps, to be a division of HEW, who can be employed for custodial care for senior citizens chronically sick, in their homes or any other place.

3. *Monthly payments.*—Monthly income benefits payable under social security to senior citizens with chronic sickness to commence after 6 months of continuous disability and be payable as long as the insured is disabled, even for life. The first 6 months of withholding shall be paid in one payment, including the seventh monthly payment.

The amount of social security payment shall be the actuarial equivalent of early retirement for one person. No monthly payment shall be withheld because the working spouse of the diseased invalid has earned monthly or annual income in excess of the disqualified amount for himself prior to age 72. No payment shall be withheld because the diseased spouse has no benefit credits for self under social security.

All medical costs for a given month shall be deducted as an income test for meeting social security benefits of the nondisabled spouse.

4. *Major medical or catastrophic insurance coverage.*—The adoption of supplementary senior citizen coinsurance program to pay 80 percent of all medical expenses not covered under any other provision of the HEW act or amendments. These major medical expenses to include hospital, convalescent home, doctor, dental, eye, nursing and custodial care and prescribed supplies as defined in these amendments, wherever performed.

5. *Family housing for chronically sick.*—(a) Pilot program: A separate department of housing to create home facilities to provide day-care, custodial, medical, dental, and emergency hospitalization requirements for a diseased spouse, parent or grandparent living with the family. These provisions to enable the supporting spouse or family member to be free to engage in outside employment. Apartments to be rented at an appropriate rental. There be an immediate appropriation of \$10 million to finance research of special design requirements and fireproof construction—an entirely new concept—of a high-rise pilot home project to embody the projected care and recreational facilities indoors and outdoors. Applications by eligible tenants to be processed through nearest HEW office.

(b) Additional housing: To be constructed under the authority of this act as needed in each State and in conjunction with State governments. That the cost of each unit be financed by such Federal guarantees as may be required under the authority of this amendment, including issuance of bonds secured and unsecured.

(c) HEW Real Estate Department: This Department be established immediately with authority to approve layout, acquire sites and building designs for suitable apartments and facilities to fulfill the objectives of these amendments, management and rental.



New amendments will:

1. Provide social security monthly income payments to a diseased spouse irrespective of any individual coverage credits or the amount of monthly earnings of the other spouse prior to age 72.

2. Provide nursing care under the creation and sponsorship of an entirely new national nursing organization.

3. Construct housing with "day-care" centers, emergency hospital service, recreation, shops, indoor and outdoor enjoyment through an entirely new plan of housing restricted to families of senior citizens with a spouse or parent or grandparent chronically diseased and requiring custodial care, in order that the supporting spouse can engage in gainful occupation.

4. Provide directives for housing, research, selection—the vehicle for financing a site and construction cost and rental term of apartments.

5. Provide a new insurance program embodying catastrophic coverage similar to that in most businesses on a coinsurance basis.

In brief, herein lies the immeasurable opportunity for Congress to adopt an entirely new concept of a cooperative living venture on a cooperative payment basis for the senior citizens supporting a diseased spouse, parent, or grandparent, and to relieve unbearable burdens of elderly families—the million now excluded from Federal, State, city, or any outside aid.

I would like to add that these unhappy diseased folks should receive a priority of your concern.

I will present the summary if you would like to have me do that, Mr. Chairman.

Mr. BURKE. Would you like to have the summary included in the record?

Mr. BRANDT. Yes, indeed.

Mr. BURKE. Without objection, it will be included.

(The summary referred to follows:)

#### SUMMARY

##### BENEFITS FOR CHRONIC SICK AND AID TO THEIR SUPPORTING SPOUSES

#### I

##### A. Custodial Care

###### *Present law*

Payments allowed only for registered nurse through V.N.A. No care Saturday-Sunday. Only 9:30 to 5. At most, 2 unscheduled calls weekly. Impractical. Unuseable.

###### *Proposed amendments*

Definition nurse broadened and made practical. Expands available nursing service 24 hours 365 days. Releases R.N. for bandaging wounds, post surgical care. Reduces cost substantially.

##### B. HEW NATIONAL NURSING CORPS

Non-existent.

Creation of "National Health Nursing Corps." Anyone of nursing capabilities meeting certain standards. *Benefits:*

- (a) duties of custodial nature;
- (b) quality for wages;
- (c) service to mankind;
- (d) National standard;
- (e) civic recognition;
- (f) special uniform;
- (g) benefit program;
- (h) replaces high cost registered nurse.

## II

## Financial Aid

*A. Income*

Restricted or zero monthly payments.  
Limitation prior age 72.

Diseased spouse to receive monthly check irrespective of no coverage through covered working spouse's earned benefit after age 65—regardless of spouse's income prior to age 72.

*B. Catastrophic Insured Benefits*

No coverage for prolonged catastrophic disease.

Through new major medical insurance program similar in design to private insurance companies' policies under age 65, to commence at age 65. Annual \$100 deductible all cause—all medical bills. No limit of payments. 80% coinsurance clause.

## III

*Day Care Centers*

None.

- (a) Multiplies available nursing service, releasing individual nurse's services.
- (b) 24-hour availability with ample but greatly reducing nursing requirements.
- (c) Reduced expense of separate nursing care.
- (d) Freedom of time for spouse to work.

Supporting spouse unable to leave sick unattended.

## IV

*New Family Apartment*

None in United States

New creative design to accommodate on a rental basis family unit caring for diseased spouse or parent, including all living medical—shopping—recreational facilities and day care center under HEW sponsorship.

Mr. BURKE. Are there any questions?

I wish to thank you, Mr. Brandt, for your contribution here this morning. I assure you that the committee and the staff will study your recommendations very carefully.

Mr. BRANDT. I appreciate that, Mr. Chairman.

I would like to add that I have researched this problem in the west and in New York. There are Congressmen who have been advised of my work.

One of the distinguished journalists, a Mr. Reston, a vice president of the New York Times, has written me a personal letter, which I wouldn't mind putting in the record, that he has for many years felt that young men and women would enter into this service.

Mr. BURKE. If you care to enter the letter, we will be happy to have it. If you don't have it with you, you may supply it.

Mr. BRANDT. Yes, I have, sir. It is a great opportunity to have a new nursing corps.

Mr. BURKE. We will be happy to make it part of the record.

Without objection, it is so ordered.

Mr. BRANDT. Thank you, sir.

(The correspondence referred to follows:)

THE NEW YORK TIMES,  
May 8, 1969.

Mr. EDUARD C. BRANDT,  
Bloomfield, Conn.

DEAR MR. BRANDT: I've always thought that the young women of this country would respond to some kind of system of local service. But I've been told for the past twenty years that the thing is too complicated. I still put a higher estimate on the willingness of young women to serve than do most of my colleagues.

Sincerely,

JAMES RESTON,  
Executive Editor.

APRIL 24, 1969.

Mr. JAMES RESTON,  
Editor, *the New York Times*,  
New York City, N.Y.

DEAR MR. RESTON: What do you recommend to alleviate TODAY'S need for nursing care and the continuous pressing financial problems confronting distressed husbands or heads of families who are taking the personal (NOT government or State or Town) care of a totally-disabled spouse or family member with no financial aid from their State or their Government—and, in most cases, their employer or family?

I inclose a copy of a letter I wrote Robert Ball of the Social Security Administration on January 10th, which touches, in a minor way, on the serious problem of many millions of American citizens while taxpayers' money is thrown away in other directions, including the race to the moon, for armament failures, and unexpected repayment of foreign grants.

The seriousness of this problem can readily be documented by a member of your staff and reported to Congress through your editorials.

Are you interested in helping those suffering hundreds of thousands who cannot help themselves by taking a stand on this problem?

Sincerely yours,

EDUARD C. BRANDT, C.L.U.

Mr. BURKE. This concludes the hearing for today. The committee will now adjourn and will resume its public hearing on Monday next at 10 a.m.

The committee stands adjourned.

(Whereupon, at 1:20 p.m. the committee adjourned, to reconvene at 10 a.m. on Monday, October 27, 1969.)



## SOCIAL SECURITY AND WELFARE PROPOSALS

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MONDAY, OCTOBER 27, 1969

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
*Washington, D.C.*

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Our first witnesses this morning are representing the Senior Citizens Golden Ring Council, Mr. Lichtenstein, and Mr. Flynn.

Mr. Flynn, do you want to make the opening statement?

**STATEMENT OF GERALD M. FLYNN, VICE CHAIRMAN, SENIOR CITIZENS GOLDREN RING COUNCIL; ACCOMPANIED BY ZALMAN J. LICHTENSTEIN, PROGRAM DIRECTOR**

Mr. FLYNN. Yes, sir.

Zalman Lichtenstein would like to say a word.

The CHAIRMAN. All right, Mr. Lichtenstein.

Mr. LICHTENSTEIN. It is always a pleasure to come back to this committee. We have been here for many years and out of this historic room we are always coming back with something.

I will never forget when in this historic room we had the luncheon with this committee when the distinguished chairman of this committee announced the bill introducing to Congress medicare. This will go into history.

Today we are coming again before this distinguished committee chaired by the gentleman of Arkansas and we have a lot of respect for the chairman and for the members of this committee. We are coming today with a plea for the elderly people, for the survivors, for the disabled people. They cannot go on living in this world, in this affluent society, with the kind of benefits of today. We know that the administration proposed a 10-percent increase. Mr. Chairman, and members of the committee, it is not enough. It is definitely not enough.

Let me assure you that the 10 percent not given yet to these people, to the beneficiaries of social security, is gone already. They increased their rents. They increased the food. They increased clothing. Everything has gone up. And that is why we are appealing to this committee to come across with a more substantial increase in the benefits.

We know that the chairman of this committee and the members know the realities of life and we are expressing today great hopes that our good friend, Chairman Wilbur Mills, and the committee members,

will do a lot more for the elderly folks, for the unfortunate survivors of the deceased workers, for the disabled, than the administration is proposing.

We came down today in a small committee, Mr. Chairman, and I will tell you usually you used to see us in bunches. We used to come down with 200, 300, 400 people, but let me tell you frankly these demonstrations now somehow got to be cheapened, so we figured instead of coming with a lot of people in buses and so on and drag down these elderly people, maybe we will make a better impression now on this committee coming down in a small committee. So our appeal today will be for a substantial increase of social security benefits and on improving your baby, Mr. Chairman, your medicare and medicaid.

We have with us eight representatives. The gentleman who will present our testimony is a long-time friend of this committee. It is Mr. Gerald M. Flynn, the welfare officer of the Long Island Senior Citizens Trainmen, and all of our members of the Golden Ring Council.

After Mr. Flynn finishes his testimony, I will appreciate if the chairman will be good to me and give me just the floor for a few winding-up remarks.

It is a pleasure to introduce Mr. Flynn.

Thank you.

The CHAIRMAN. Mr. Flynn, we appreciate having you and Mr. Lichtenstein with us.

Thank you, Mr. Lichtenstein.

You are recognized.

MR. FLYNN. Thank you very much, Mr. Chairman and distinguished members of your committee. I am Gerald M. Flynn, vice chairman of the Golden Ring Council of Senior Citizens and the director of senior citizens activities of the United Transportation Union, Long Island Railroad, Jamaica, N.Y.

I am accompanied this morning by Mr. Jack Roser, program director; Mr. Moe Diamond, vice chairman; Mr. Jack DiNola, secretary; Mrs. Bella Hyman, executive board member; Mr. Mortimore Cheshire, president; Mr. George Griffiths, secretary-treasurer; Mr. Zalman Lichtenstein, executive director of the Golden Ring Council of Senior Citizens.

I should like to thank you in advance for your courtesy in extending us this time this morning so that we may bring to you our views on the pending social security legislation now before your committee. First of all, we would like to say, as members of a labor organization, we heartily support the AFL-CIO recommendation for a 50-percent increase in social security annuity payments. Because of the continuing increase in the cost of living, we have felt for a long time that social security annuities were not large enough to support a person. Furthermore, it just barely meets the subsistence level provided for in the Department of Health, Education, and Welfare budget.

We would further like to recommend that title 18, medicare coverage, be extended to beneficiaries who qualify for disability or survivor's annuities regardless of their age. This would provide coverage for our disabled beneficiaries, widows, and children, and permit them to receive high-quality medical care without jeopardizing their finan-



cial position. We hope that a cost-of-living index providing for increases in annuity payments, as the costs of living go up or down, be made a permanent part of the program.

With reference to part A of title 18, we would like to see the elimination of the first day's hospital charges. We have thought for a long time that this imposes a financial burden on the patient as well as adding to the administrative costs of the program. The charges for the professional fee components of a bed patient in a hospital should also be part of the hospital charges, and the additional paperwork by the hospital in completing form 1554 and forwarding it to the medicare supplementary carrier has added a tremendous workload to the program and has made the administration of the program, for the medicare recipients, a tremendous redtape obstacle.

The fact of the matter is that the administration of part A, as far as the medicare recipient is concerned, is frankly beyond his comprehension. His understanding of the medicare legislation was that when he went into a hospital the hospital bill would be paid. Once he is admitted, he finds that there is a collection of gimmicks and other administrative procedures that require him to pay in advance for professional fee components and for the first day's charges, now \$44. The amount of money he must pay to the hospital in advance is approximately \$100 and in some cases it takes anywhere from 60 to 120 days in order to get the unused portion of his money back.

We would just like to say one thing about the nursing homes. We have known for a long time that the nursing homes situation is very, very poor throughout the country and particularly in Long Island. Though it is true there are some new nursing homes that are providing very fine service with competent personnel and staff, the general average of the nursing homes is that they are turning into vegetable bins. They are now filled to capacity and where they were a marginal operation they are now very profitable. The reason that some of them are profitable is that they are cutting back on the services provided to the patient by keeping the work force of the home at the minimum level in order to generate the largest profit. We hope that your committee will consider amendments that would upgrade the requirements of nursing homes with reference to facilities and service.

With reference to supplementary part B, we have had some thoughts on this portion of the program for a long period of time. First of all, it was our feeling when the medicare legislation first passed, title 18, that the professional committees that met on doctors' fees examined various service contracts that were then being provided by private carriers throughout the country. It appeared that they adopted the United Medical Service \$4,000 to \$6,000 contract fee schedule and added to that an additional 20 percent. At that time, it was our opinion that this would increase the cost of medical services not only to the medicare recipients, but also to the private community as well, which has now turned out to be true. We felt that the inclusion of the fair and reasonable fee concept into the medicare program was another carryover from past insurance administrative practices that were not in the best interest of the patient, or the program. We felt at that time that, if the premium charge of \$3 was to be protected, the fair and reasonable fee concept was not the way to do it. This turned out to be true. What it actually did was to give to the



medical profession an open-end blank check to write their fees on whatever basis they thought would be payable by medicare. In fact, it was not uncommon for them to send in very inflated fees and have them cut back by medicare providers in order to establish a fair and reasonable fee concept for their service. So, we think it is long overdue that a fee-for-service schedule be added to the medicare legislation. We are not at all sure that a national fee-for-service schedule is the proper way to handle the matter.

It could well be that we should provide regional fee schedules so that the varying costs throughout the country may be properly handled. We would further suggest that in the fee schedule, itself, that a grading of fees be provided for (1) the general practitioner, and (2) the specialist, with the top fee being paid only to qualified specialists. It has been our feeling that many of the fees that were set up in the program were designed to be paid to qualified specialists. We have found many times in our own administrative practices that doctors not qualified in the area for which the service was rendered are receiving the same compensation as specialists who have taken on advanced studies.

We would also suggest that your committee give favorable consideration to the elimination of the \$50 front-end deductible. The \$50 deductible is another carryover from insurance practices that were palmed off on the public as a deterrent to usage. The medicare legislation was designed to take care of a need in our society to provide for medical coverage for people who could not afford to pay for it. Of course, in connection with that, our aforementioned views on the fee-for-service schedule for the doctors could well encompass the elimination of the 20-percent coinsurance feature. We would suggest that if this required a small increase in the monthly premium for part B, it would be well worth it.

We should also like to touch once again on our previous request of this committee to include the cost of drugs as part of the coverage. Our members tell us that the cost of prescriptions is tremendous and that they are depriving themselves of correct medication because of financial problems. This, too, may require a slight increase in the premium for part B.

In conclusion, we would like to say that the overall response to title 18 throughout our area is that our people have been very happy with the program. We do feel that some hospitals are taking advantage of the medicare patients, treating them as welfare cases, giving them their oldest facilities, and in general providing the minimum medical care. Of course, some of this goes hand in hand with our obsolete hospitals as well. We think that somewhere in the medicare legislation that some incentive should be provided for the hospitals to improve their facilities. We are aware of the continuing rising costs of new facilities and inpatient care that are eroding the good intention of this program. We do think that some new, perhaps modern approaches to hospital administration itself, led by the Federal Government, would help to alleviate these rising costs. We have watched with a great deal of interest the Veterans' Administration hospital facilities where they have had all ambulatory patients go to a central dining hall, thus containing the cost of auxiliary personnel. This could be investigated.

Part B of the program has become an administrative nightmare for our senior citizens. The \$50 deductible, the 80-20 percent coinsurance, the charges in the hospital they don't understand and never will are just driving them completely out of their minds. The unrealistic charges by doctors against some of the patients, who have paid their bills all their lives and who are now worrying continuously about what the doctor will think if they don't pay the bill. In their anxiety to pay their bills, they are draining their savings down and slowly but surely, becoming paupers because we have not taken the initiative to try and contain the spiraling costs.

So, Mr. Chairman, we appear here again this morning to give you our views on how we would like to have improved the program on behalf of our senior citizens. We are aware of the fact that you, Mr. Chairman, and the distinguished members of your committee are conversant with these problems as well. It is our hope that our small contribution that we have made this morning will assist you and your committee in processing this legislation.

Thank you for your courtesy.

The CHAIRMAN. Be assured, Mr. Flynn, that your statement and your appearance, Mr. Lichtenstein, will be of assistance to the committee.

Mr. LICHTENSTEIN. Mr. Chairman, I would like to add as medicare's concern a few remarks on our doctors. I have before me this book under the title "The Doctors" by Martin L. Gross, and I am sure that the committee members are familiar with it. Let me tell you, Mr. Chairman, our doctors are now busy not with healing the people but with counting their money and there is not enough time for them to count the money which they are making now on medicare.

Just the other day the New York Times brought another piece of news. They take the money and they do not like to pay income tax on the money and they have new schemes on it, Mr. Chairman, and while you are now debating the tax structure for all of our citizens please look into this matter, too.

How can it be that a doctor who makes now \$300,000 a year should get away without paying tax on this income? For years and years they used to come, the AMA and all of the other doctors, before your committee and they were talking against medicare. You remember. They were fighting medicare tooth and nail. But they looked around and now they see it is a bonanza for them, a tremendous bonanza.

I never saw featherbedding in this field as it is going on now with our doctors.

I have with me a bill for two visits to a skin doctor and what did this doctor put in this bill to medicare?—everything except the kitchen sink. In these 5, 6 minutes which he served this patient he put in consultation, laboratory services, office visit, orrhology, surgical care, \$140—\$140, and he figured it down right. They will take off \$50. They will take off the 20 percent. And he got \$112, \$112 for two visits, and the same patient who went to this same doctor before medicare was implemented paid him \$7.50 a visit.

Now, Mr. Chairman, those things have to be stopped.

We have with our delegation Mr. Moe Diamond. He got a speck in his eye, so he went to corner drugstore. The corner drugstore says, "No, no, not any more. We are not allowed to take out the speck from



your eye. You must go to a doctor." So he went to this eye doctor and medicare ended up with a bill of \$65.

Now, evidently our doctors decided to break the bank. They could not get through over here and kill medicare legislation so they decided, "Now, we are going to grab the money." And who is paying for it?—the old folks.

You are debating now, Mr. Chairman, and the distinguished committee, about giving an increase in the benefits. On the other hand, you are debating and the representatives of social security told us next year from \$4 the medicare payment will go up to \$5 and maybe over \$5. On the one hand, we are going to give the elderly people some money in the benefits. On the other hand, the administration tells us they are going to take out a quarter of a billion dollars of the package of the elderly people.

We have great trust in the chairman and in the committee members because I know for years and years we have been debating this medicare program and we trust that this committee will not allow the doctors to steal this program. No wonder Mr. Gross says our doctors now know not the art of healing but somehow the art of stealing.

And, Mr. Chairman, this will have to come to an end. And we believe that you are going to do it in the process of legislation. We are going to go home today and we will report to our members and we will tell them, "We got a very nice reception by the chairman and by the committee members," and we believe that within a short time they are going to get a substantial increase and something will be done, Mr. Chairman, to curtail this featherbedding by our doctors in the country.

Thank you very much.

The CHAIRMAN. Thank you, again, Mr. Lichtenstein, and also Mr. Flynn. We appreciate very much your coming to the committee.

Are there any questions?

Mr. Gilbert?

Mr. GILBERT. I would merely like to extend a welcome to my friend, Mr. Lichtenstein. In his own inimitable style, he has laid before the committee a very serious problem that all of us know that the country faces. That is the problem of skyrocketing medical costs. I want to thank you and the members of your organization for bringing this so vividly to the attention of the committee.

Mr. FLYNN. Thank you very much, Mr. Gilbert.

Mr. LICHTENSTEIN. Thank you.

The CHAIRMAN. Any further questions?

If not, again we thank both of you.

Mr. LICHTENSTEIN. Thank you very much, Mr. Chairman.

Mr. FLYNN. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Mrs. Ruff, and she is accompanied by our former colleague, Mr. Karsten.

Frank, we are pleased to have you back with us before the committee.

#### STATEMENT OF HON. FRANK M. KARSTEN, FORMER REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. KARSTEN. Thank you, Mr. Chairman. It is always a great pleasure to visit the Committee on Ways and Means from this side of the table. I spent many years here and I am very glad to be back. As a



matter of fact, this is a most happy occasion because I am here on legislation that I have been interested in ever since I was a member of this committee, and that is legislation to provide elective social security coverage for Federal employees.

I had a bill on the subject 3 or 4 years ago, as I recall, and I think there are probably a score or more bills on it.

A great many Federal employee organizations are interested in this legislation, but one of the real sparkplug organizations that has been behind it over the years has been the Affiliated Government Organizations, and I have with me this morning officials of this organization: the publicity director, Mr. Alwyn Aaron, and Mr. Jack Daniels, counsel of the Affiliated Government Organizations.

I might say that Mr. Aaron is chairman of the legislative committee of the National Postal Union, and Mr. Daniels is counsel of the Social Security Local 1760 of the American Federation of Government Employees.

Well, I have talked before the committee on my own bill long enough. I know the committee has listened to me for about 14 years, but this morning I have with me an outstanding expert on this legislation. It gives me a great deal of pleasure to present to the committee Mrs. Rhoda Ruff, president of the Affiliated Government Organizations.

The CHAIRMAN. Mrs. Ruff, we are pleased to have you and Mr. Karsten, and the others with us this morning. You are recognized.

**STATEMENT OF MRS. RHODA A. RUFF, PRESIDENT, AFFILIATED GOVERNMENT ORGANIZATIONS; ACCOMPANIED BY ALWYN AARON, PUBLICITY DIRECTOR; AND JACK DANIELS, COUNSEL**

Mrs. RUFF. Thank you.

My name is Rhoda A. Ruff, and I am pleased to serve as president of the Affiliated Government Organizations. This group consists of 24 postal and Federal employee unions and associations, representing more than 30,000 Government employees.

We appreciate the committee's scheduling early hearings on the subject of social security, and the opportunity afforded us to express our views. We are interested in H.R. 2677, H.R. 6275, H.R. 11052 and H.R. 11714 introduced by the distinguished members of this committee; namely: Congressman Jacob H. Gilbert, Congressman Dan Rostenkowski, Congressman Charles A. Vanik and Congressman William J. Green. We would also like to express our thanks to Congressman Joel T. Broyhill for his sponsorship of a measure with basically the same objectives but a slight variance in provisions. With your indulgence, Mr. Chairman, we will limit our testimony to the aforementioned bills.

The aim of the Affiliated Government Organizations is the enactment of legislation granting all Federal employees the elective right to participate under the Social Security System in addition to their civil service annuities, but with the distinct understanding that each system be financed separately and apart from each other. This legislation if enacted closes the final gap of coverage which remains under the Social Security System. We are the only group now not covered.

## POINT 1

The Social Security System at present is discriminatory and should be amended. Federal employees are the only group of employees denied social security coverage. The Social Security System grants coverage to over 4 million State, city and county employees despite their own pension systems. In addition, private-sector employees obtain social security coverage in addition to whatever private plans or pensions they maintain.

The Social Security System is discriminatory because it denies benefits to a large group of Federal employees while it is extended to other Federal employees; for example, the Federal Credit Union and the Federal Reserve banks. To cover all Federal employees would be a logical extension of principles long established. There should be no class of citizenship in the United States of America and, with the coverage here sought, there would be none. The Government mandates that all employers provide coverage to their employees but denies social security coverage to its own employees.

## POINT 2

The legislation sought would have no budgetary impact and it is actuarially sound. Twenty-three bills have been introduced by Members of Congress including five members of this committee, in the 91st Congress, in support of the proposals here requested.

This legislation had been originally introduced in the 89th Congress, the provisions of which have been reintroduced in the 90th and 91st Congress by five members of the Ways and Means Committee: Congressman Jacob H. Gilbert (New York) H.R. 2677, Congressman Joel T. Broyhill (Virginia) H.R. 2746, Congressman Dan Rostenkowski (Illinois) H.R. 6275, Congressman Charles A. Vanik (Ohio) H.R. 11052, Congressman William J. Green (Pennsylvania) H.R. 11714 and 18 others, namely:

- Congressman Joshua Eilberg (Pennsylvania) H.R. 200.
- Congressman Spark Matsunaga (Hawaii) H.R. 285.
- Congressman William F. Ryan (New York) H.R. 615.
- Congressman John M. Murphy (New York) H.R. 1259.
- Congressman James H. Scheuer (New York) H.R. 5566.
- Congressman Frank J. Brasco (New York) H.R. 6192.
- Congressman Robert O. Tiernan (Rhode Island) H.R. 8636.
- Congressman Leonard Farbstein (New York) H.R. 8937.
- Congressman Henry Helstoski (New Jersey) H.R. 9300.
- Congressman Mario Biaggi (New York) H.R. 10714.
- Congressman Seymour Halpern (New York) H.R. 10959.
- Congressman Joseph P. Addabbo (New York) H.R. 11064.
- Congressman Jonathan B. Bingham (New York) H.R. 11080.
- Congressman Bertram L. Podell (New York) H.R. 11761.
- Congressman Frank Annunzio (Illinois) H.R. 12624.
- Congressman John J. Duncan (Tennessee) H.R. 12633.
- Congressman James G. Fulton (Pennsylvania) H.R. 12975.
- Congressman Daniel E. Button (New York) H.R. 13211.

We subscribe and support the features of these bills which basically provide for present Federal employees to choose, if they desire, to pay for social security coverage in addition to their civil service annuities. In so choosing, the employee elects to pay an employee tax which the Federal agency involved would merely withhold from the salary of the employee. No contribution is required of the Government.

By way of comparison, we invite examination of Public Law 89-97, July 30, 1965, pertaining to 1½ million service employees who receive earnings in the form of tips and permits social security coverage where contributions are made solely by the employee without any contribution on the part of the employer. At that time, the Chief Actuary of the Social Security Administration supported the proposal as being actuarially sound; and it was noted that Federal employees are generally conceded to be superior risks in terms of insurance actuarial considerations. Therefore, there would be no budgetary impact.

#### CONCLUSION

1. The 23 bills that we support are actuarially sound.

2. It is in the employees' behalf since it allows them to make a selection in their own interest.

3. It closes the final gap of coverage remaining under the social security system and removes the criticism that the U.S. Government is denying its own employees coverage while it mandatorily has compelled the same to employers of private organizations, State and city civil service employees.

4. Once this coverage is obtained by Federal employees, the social security laws will never have to be amended to extend coverage to any other class of employees.

5. This coverage is at no additional cost to the Government.

We respectfully request the committee to consider favorably this vital legislation on behalf of the single largest group of employees yet denied such coverage—namely: The Federal employees. Finally I am asking you, as the Congress of the United States of America, to give equal and comparable treatment to the Federal career employees who have devoted their lifetime in Government. Let them retire with the dignity they have earned, as we all hope to do.

The CHAIRMAN. Thank you again, Mrs. Ruff, for coming to the committee and bringing with you these very fine gentlemen.

Are there any questions?

Mr. ULLMAN. Mr. Chairman?

The CHAIRMAN. Mr. Ullman.

Mr. ULLMAN. I want to commend you, Mrs. Ruff, for a very stirring plea.

I want to join in welcoming our former colleague, Mr. Karsten, before this committee and to recall his efforts during the years he was here to achieve this legislation. Tell me for my own edification, is there precedence for the voluntary aspect of this recommendation that you are making?

When we included State and local employees, did we do it on a voluntary basis, or a mandatory basis? Do you recall?

Mrs. RUFF. It was voluntary by groups. The groups would select and the majority of the groups ruled. The teachers or the employees in-



volved would have a meeting and they would decide and they would all go in as the decision was made.

Mr. ULLMAN. I thank you for refreshing my memory on that.

In your proposal it would be an individual choice; is that right?

Mrs. RUFF. We wouldn't bind the committee to just that. We would be willing to go in by groups if necessary.

Mr. ULLMAN. By groups or individuals?

Mrs. RUFF. Right.

Mr. ULLMAN. What is your judgment as to the extent to which Federal employees would take advantage of this option?

Mrs. RUFF. I imagine that most of them will because at the conventions of the National Association of Letter Carriers, National Federation of Federal Employees, National Association of Internal Revenue, American Federation of Government Employees, and National Association of Postal Employees they have all met and at their conventions passed resolutions for this legislation. I imagine that most of the employees would go in under this.

Mr. ULLMAN. I was wondering why you didn't recommend a mandatory coverage. Are there some groups that possibly would not want to come in or individuals for some reason or other?

Mrs. RUFF. We were just following the concept of the State and local civil service employees. These meetings, and then as the group decided, so went the whole group, as the majority of the group decided.

Mr. ULLMAN. You are not prepared, though, to accept mandatory coverage if that were the will of the committee?

Mrs. RUFF. I think we are not, because I would rather follow the pattern that Congress has extended to the State and city employees.

Mr. ULLMAN. Thank you very much.

The CHAIRMAN. Mr. Gilbert?

Mr. GILBERT. Mr. Chairman, I would like to welcome our former colleague, very distinguished colleague, Mr. Karsten, to the committee, and he is with a local group I am very familiar with. I know Mrs. Ruff from New York and she has spoken to me many times about this bill. I am very happy to say that I am one of the sponsors. I would like to point out to my colleagues on the committee that the theory behind the bill is to give the option and election to the group or class of workers and, as Mrs. Ruff pointed out, to follow the precedents of the committee where it has been established that elections have been held in State and county and municipal governments so that each class of employee can make his or her own determination as a group whether they wish to be covered under the social security system and I think Mrs. Ruff probably pointed out that it isn't a question of mandating that all employees be covered but rather it be optional. That is really the thrust and purpose of the bill and, as I understand the amendments and resolutions that have been adopted by the national civil service organizations.

Mr. ULLMAN. Would the gentleman yield?

Mr. GILBERT. Surely.

Mr. ULLMAN. Are all the Federal employees covered under one organization or other, so that they could make a choice with an organization, or are there some Federal employees who are not covered on a group basis?

Mr. GILBERT. I couldn't answer that question. I am not competent to answer that. Perhaps somebody connected with the civil service groups may be able to.

Mrs. RUFF. I am sorry, I didn't hear your question.

Mr. ULLMAN. I wondered whether on a group basis all Federal employees belonged to groups that could opt as a group to join.

Mrs. RUFF. It is according to how far you would divide the groups. As for joining organizations, they are not all joined under organizations. However, each installation can vote as an installation, like the Post Office, and the Internal Revenue, as under social security laws, for example, each individual agency can set up a group.

Mr. GILBERT. May I respond to your question?

Mr. ULLMAN. Yes.

Mr. GILBERT. I think I understand it now.

It isn't that an outside group would control the destiny or vote. In other words, one of the unions; I think that was the thrust of your question.

Mr. ULLMAN. Yes.

Mr. GILBERT. No; this isn't the way the bill would operate. The individual employee under my bill would have the option to determine whether he or she wishes to be covered under social security. What Mrs. Ruff said was that they would be willing to take it one step further by having the class of employee covered and make the election. In other words, those employees, say, in the Department of Justice or those in the Internal Revenue Service make the determination, but not the union, not an outside or third party or agency.

Mrs. RUFF. Mr. Ullman, I would still prefer my original bill. However, I would take the other as an alternative.

Mr. ULLMAN. And the original one being the individual choice?

Mrs. RUFF. Right.

The CHAIRMAN. Any further questions?

If not, we thank you again for coming to the committee.

Mr. GIBBONS. Mr. Chairman, may I make a little observation here?

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. First of all, I am very interested in your testimony but I want to express my appreciation to Mr. Karsten. If it were not for his voluntary withdrawal from this committee I am deeply impressed that I wouldn't be here, so, frankly, I hope that I am not embarrassing you too much, but I am glad to see you on that side of the table.

Mr. KARSTEN. Thank you.

Mr. GIBBONS. And I appreciate the opportunity you made available for me.

Mr. KARSTEN. It is a great improvement. The committee has greatly improved and we are hoping it is improved enough perhaps that it can pass out this bill favorably now.

The CHAIRMAN. Thanks again.

Mrs. RUFF. Thank you very much.

The CHAIRMAN. Our next witness is our friend of many years, Mr. John F. Nagle, Chief of the Washington Office of the National Federation of the Blind.



I am not certain whether all the committee is aware of the fact that Mr. Nagle has recently been honored by being awarded one of the very top awards of the American Foundation for the Blind, Inc. We are very proud that they took notice finally, John, of your outstanding work representing the blind.

**STATEMENT OF JOHN F. NAGLE, CHIEF, WASHINGTON OFFICE,  
NATIONAL FEDERATION OF THE BLIND**

MR. NAGLE. Thank you very much, Mr. Chairman. It is always good to come here. You are always so warm and cordial in your welcome.

I would like to present a brief oral statement to this committee this morning, Mr. Chairman, and then I ask permission of the committee to submit a written supplemental statement for the record on other issues pending before the committee.

The CHAIRMAN. Without objection, that supplemental statement will appear in the record immediately following your oral statement.

MR. NAGLE. Mr. Chairman, and members of the committee: My name is John F. Nagle. I am chief of the Washington office of the National Federation of the Blind. My address is 1346 Connecticut Avenue NW., Washington, D.C. 20036.

Mr. Chairman, I am appearing here today to urge committee approval of H.R. 3782, a bill to amend title II of the Social Security Act so as to liberalize the conditions governing eligibility of blind persons to receive disability insurance benefits thereunder.

H.R. 3782 was introduced in the House of Representatives by Congressman James A. Burke, able and distinguished member of this committee, and by 151 other Members of the House, including 10 members of the Ways and Means Committee.

S. 2518, a measure identical to H.R. 3782, was introduced in the Senate by Senator Vance Hartke, joined by 68 cosponsoring colleagues, including nine members of the Finance Committee.

I cite these statistics, Mr. Chairman, not to impress you, but so that you will understand that the Burke disability insurance for the blind bill is not merely the proposal of an organization, with only organization memberships support.

H.R. 3782 would make two changes in the Federal disability insurance law with particular reference to blind people.

It would permit a person whose visual impairment is such as to constitute blindness in accordance with the definition incorporated in the disability insurance law in 1967, and who has worked in social-security-covered work for 6 quarters, to qualify for disability insurance payments and to continue qualified so long as he remains blind and regardless of his earnings.

Mr. Chairman, the purpose of H.R. 3782 is to make of the Federal disability insurance program a true insurance program for the blind—for those who are now blind, for those who will become blind in the future.

H.R. 3782 would condition the right to receive disability insurance payments, and the right to continue to receive them, upon the existence and the continuing existence of the loss of sight.

H.R. 3782 recognizes that the severest of all the consequences resulting from the occurrence of blindness in the life of a workingman is



not the physical loss, the physical deprivation of sight, but, rather, the severest loss sustained is the economic disaster which engulfs the newly blind worker, the economic handicaps which are identical to blindness.

It is these economic consequences—

The abrupt termination of weekly wages;

Diminished earning power;

Drastically curtailed employment opportunities;

Greatly reduced possibilities for advancement and increased earnings when employment has been secured.

These, and not the physical loss of sight, convert the physical disability of blindness into the economic handicap of blindness, and this is so, whether a person is recently blind or has lived a lifetime without sight.

H.R. 3782 would provide a partial solution to the financial catastrophe which results from blindness.

It would provide a floor of minimum financial security for those who must learn to live again, who must learn to function again but without sight in a world of sighted men.

H.R. 3782 as Federal law would reduce the competitive disadvantages of sightlessness.

It would provide a continuing source of funds to meet the extra costs, the "equalizing" expenses of functioning, blind, in a sight-oriented society and working in a sight-gearred economy.

H.R. 3782 would be of immeasurable help to the worker suddenly confronted with the devastating effects of blindness—the discouragement of protracted unemployment, the despair of an expected lifetime of unemployment and inactivity, the shocking loss of independence, the shame and humiliation of dependency.

H.R. 3782 would also provide a special and necessary kind of independent security for blind persons, for whether such a person is a lawyer, a piano tuner, a teacher, a salesman, a vending-stand operator, or a housewife, they must have sight available to them.

Disability insurance payments would provide them with the needed dollars to buy sight, for we, blind people, have all learned that only sight that is hired is readily and regularly at our command at our time of need.

Mr. Chairman, the usual blind person, with average abilities, with no particular training or talent, such a person works when he can get work, but frequently he is the victim of the inexorable laws so well known to disabled people: Last hired and first fired; and, when physically fit men are available for jobs, physically impaired men need not apply, for they will not be hired.

Gainfully employed, when he is employed at all, the blind man is usually hired for jobs which are the shortest in duration, jobs offering the poorest pay, and even these jobs, these employment opportunities, are now rapidly being automated out of the economy.

For this person, the usual blind person, the 20 of the last 40 quarters eligibility requirement in the disability insurance law makes the protection and equalizing potential of disability insurance unavailable to him, and the proposed 6 quarters requirement in H.R. 3782 would be much more reasonable, much more realistic because of the special circumstances confronting such a blind person.

Mr. Chairman, we of the National Federation of the Blind believe that the social security programs which are intended to reduce the adverse economic and social consequences of advancing years and disability impairments, must never be considered unchangeable in policy or provision, for such rigidity may nullify the purposes to be served by these programs, while flexibility of approach and adjustment of legal provision to meet special circumstances may assure realization of such purposes: The diminution of the hazards and heartaches of old age, the lessening of the discouragements and the disadvantages of physical disability.

We ask this committee and the Congress to recognize the special difficulties and handicapping circumstances confronting blind people, and we ask you to liberalize the disability insurance law for the benefit and assistance of blind people.

Under existing law, a person must work in social-security-covered work for 5 of the last 10 years to establish eligibility for disability insurance payments.

We ask you to approve H.R. 3782 to reduce this requirement to 1½ years, in order that the benefits under the disability insurance program may be more readily available to more persons when blindness occurs; in order that blind persons, unable to meet the present requirement for employment for 20 quarters in covered work, may be able to qualify for disability insurance payments under the Federal disability insurance program.

Under existing law and practice, persons who are disabled and earn as little as \$70 a month, and sometimes who earn anything at all, may be disqualified as insufficiently disabled to draw disability insurance payments.

Under existing law and practice, it is not enough that a person is severely disabled, that he is unable to get a job because he is disabled, to qualify for disability insurance payments.

He must establish his physical inability to do a job to be eligible for such payments.

We of the National Federation of the Blind ask you to change this, to allow persons who are disabled by blindness to draw disability insurance payments upon proof of blindness and to continue to draw disability insurance payments upon proof of blindness and to continue qualified to receive payments even though they are employed, even though they are earning and irrespective of the amount of their earnings, in order that disability insurance payments may be available to them to offset the extra "equalizing" expenses that must be incurred by them as they try to live and compete without sight in a sighted environment.

In conclusion, Mr. Chairman, members of the committee, H.R. 3782, the Burke Disability Insurance for the Blind bill, has an ancient and honorable legislative history.

A predecessor to H.R. 3782 was offered in the 88th Congress, Senate, by Senator Hubert Humphrey as a floor amendment to the pending social security bill, and it was adopted by voice vote without a dissenting vote.

Another predecessor to H.R. 3782 was offered in the 89th Congress, Senate, by Senator Vance Hartke as a floor amendment to the pending social security bill, and it was adopted by a roll call vote of 78 to 11.



Still another predecessor to H.R. 3782 was offered in the 90th Congress Finance Committee again by Senator Hartke, and it was given unanimous committee approval as an amendment to the House-passed social security bill.

Earlier in this 91st Congress, I visited all of the Senate offices seeking cosponsorship support when Senator Hartke introduced the Disability Insurance for the Blind bill in the U.S. Senate, and as I stated previously to you, 68 Senators joined on the bill, including all five of the Senate majority and minority leaders—Senator Dirksen had become a cosponsor before his death.

Believing that the same kind of massive support existed in the House of Representatives as had been repeatedly manifested in the Senate for the Disability Insurance for the Blind bill, I, in behalf of the National Federation of the Blind, the long-time sponsor and advocate of liberalized disability insurance for blind persons, visited all House offices, explaining the provisions of H.R. 3782 and asking for the introduction of companion bills as evidence of member support of this legislation.

The number of such companion bills that have been introduced, the volume of endorsing letters that have been written to Mr. Burke, to Chairman Mills, and to blind constituents throughout the country, justifies my original belief, that H.R. 3782 has the support of a substantial percentage of the House membership.

As I went through the House and discussed the merits of H.R. 3782 with Congressmen and their staffs, I encountered two objections to this measure:

Why liberalize disability insurance for blind persons and not for other severely disabled persons?

Why should a blind person with substantial earnings draw disability insurance payments when other-type disabled persons are cut off from such payments if their earnings exceed \$140 a month?

The answers to these questions, we believe, are simple, obvious, and conclusive:

Blindness is not a worse disability than any other, but it is different than any other—and because of this difference, H.R. 3782 is socially and economically necessary legislation, it is uniquely needed and not precedent-setting legislation.

A person may have just about any other kind of physical impairment, get repaired, obtain prosthetic devices or appliances, and be restored to substantial self-sufficiency.

A man may lose both legs, secure artificial limbs, and after learning their use, function as he functioned before.

The blind person, however, never reaches the point where he is freed from a dependence upon sight, and this is so whatever abilities the blind person may possess, whatever his accomplishments may be.

The blind person is just exactly like the sighted person—whatever his earnings, he lives above and beyond them—and is no better able to remove a portion of his income from family expenses to use for the purchase of sight than would his sighted fellows engaged in the same employment and with similar earnings.

The fact is, Mr. Chairman, that whatever level of earnings a blind man may achieve, whatever position he may attain, he functions at an economic disadvantage for he must function without sight in compe-



tition with sighted men, he must compete without sight in an economy based on sight.

H.R. 3782 as Federal law would reduce this economic disadvantage.

I thank you, Mr. Chairman, for this opportunity to appear here.

(The supplemental statement referred to follows:)

SUPPLEMENTAL STATEMENT OF JOHN F. NAGLE, CHIEF, WASHINGTON OFFICE,  
NATIONAL FEDERATION OF THE BLIND

Mr. Chairman and members of the committee, my name is John F. Nagle. I am Chief of the Washington Office of the National Federation of the Blind. My address is 1346 Connecticut Avenue N.W., Washington, D.C. 20036. I am submitting for the printed record the following additional views on matters pending before this Committee, that is, the proposals contained in H.R. 14173 and H.R. 14080.

H.R. 14173—REPEAL OF TITLES I, X, XIV OF THE SOCIAL SECURITY ACT

We are unalterably opposed to all efforts to abolish the separate category of public assistance for the blind, enacted in 1935 under Title X of the original Social Security Act to provide for financial assistance to the blind as a separate category. In November of 1935, at the very beginning of the Social Security system, the American Public Welfare Association (APWA) published a pamphlet containing "suggestions" for a model piece of legislation as a guide to the states in the establishment of public assistance programs, a major recommendation being "integration" of the public assistance programs. The APWA, the creature of public welfare administrators and tightly controlled by them, has been unable to shake loose its preoccupation with the desire to abolish categories ever since, thus increasing the discretionary powers of administrators.

To establish a single adult category as is proposed in which the blind, the aged, and the disabled would be scrambled together into one poor relief barrel, where the distinctive needs of the blind, the aged, and the disabled would be completely disregarded, would be tragic, indeed. The problems of the aged are different from those of the blind, and the problems of the disabled are different from both, requiring each group to have separate categorical consideration. If rehabilitation—physical, social, economic—is to be the goal of Aid to the Blind (and it certainly should be), then the categorical approach must be retained and strengthened, not weakened or abandoned.

In 1935, when the Social Security Act was adopted by the Congress, some 27 states already had adopted statutes establishing special programs of public assistance for the needy blind. At the present time, even seven years after the optional combined category for adult aid under Title XVI was enacted, two thirds of the states make separate and special provision for their blind citizens who require help in meeting their basic needs. These actions by the states are a recognition that the problems and the needs of the blind are different from those of others requiring aid.

The man who is 87—without a family and enfeebled; the man who is 23—physically fit, vigorous and healthy—but blind; the completely paralyzed and bedridden mother of three small children, whose husband is unskilled and earns little—each of these presents a distinct social problem requiring the assistance of experienced, wise, and well-trained personnel to solve. Each has different and distinct needs.

If the aged, the blind, and the disabled are to be scrambled together in one general administrative heap—if a uniform budget is to be established for all aid applicants without regard for their special categorical needs—if agency rules and regulations are to be applied to all recipients alike as though they had similar needs and problems—if caseloads are to be an indiscriminate mixture of the aged, the blind, and the disabled—and if case workers are required to be all things to all clients—then, the high purposes of self-care and self-support will soon be smothered and stifled by generalized administrative treatment, rather than fostered by categorical consideration of the special needs of the blind, the aged, and the disabled. Public welfare for these people will cease to exist as we have known it—as we in America have known it with pride and satisfaction—and it will become merely a paymaster of public funds to public charges—and, though they may be well provided for, though they will neither starve, go naked, or lack for shelter, they will not be rehabilitated and resume normal, independent, and self-supporting lives—but they will be and they will remain—public charges.

Mr. Chairman, Members of the Committee, we of the National Federation of the Blind urge you to strike out the provisions which would establish the mandatory Title XVI combining the aged, the blind, and the disabled.

#### EXEMPTION OF INCREASES IN SOCIAL SECURITY PAYMENTS

We urge the Committee to insert a provision in the bill which would exempt all increases in Social Security payments made subsequent to January 1, 1966 from consideration in determining a person's need for public assistance and the amount of aid he should receive. There are at present some 2.8 million public assistance recipients whose Social Security payments are simply not enough to live on, hence are being supplemented by the states. A guarantee is needed that increases in Social Security payments provided by the Congress to raise the level of such payments will do just that, will be received by elderly and disabled persons. This is the only way to effectively protect Social Security payment increases from being absorbed into the state treasuries rather than being passed on to recipients of public assistance who are also beneficiaries of Social Security payments.

#### MINIMUM GRANT OF AID

We favor the provision for a minimum grant or a "floor to relief", but feel that the Committee will wish to consider increasing this minimum from \$90 a month to a considerably larger figure. No more eloquent argument can be advanced for this principle than to look at the averages of the monthly grants for the United States as a whole. For the month of May, 1969, the Old Age Assistance average grant was only \$70.60; the Aid to the Blind average, \$94.85; and the Aid to the Disabled grant, \$85.60. Safeguards should be inserted in the law to assure that the minimum grant does not also become the maximum and that special needs of individuals are provided for by increased grants.

#### PROHIBITION OF LIENS

We support the provision which would prohibit the taking of liens on the property of recipients as a condition for the receipt of aid. To pauperize needy persons who apply for public aid, to take from them the little property they may own, not only takes away from them the only material means they have upon which to build a new life—it also takes away their will to try again, to try and work their way back to a life of self-dependence.

#### RESPONSIBILITY OF RELATIVES PROVISION

While it is proposed in the pending bill that responsibility of relatives be abolished insofar as recipients of Old Age Assistance are concerned, relatives' responsibility is still retained for Aid to the Blind and Aid to the Disabled recipients. Why? Almost two thirds of the recipients Aid to the Blind are themselves 65 years of age or older and a large percentage of recipients of Aid to the Disabled are in the older age brackets. State laws or regulations which require, under penalty of legal action, family members to contribute to the support of a needy blind person are a denial of the high goals of public assistance—so bravely and boldly declared in the 1956 Amendments to the Social Security Act—the strengthening of family ties, the achievement of self-care and self-support.

The effect of the enforcement of relatives' responsibility laws is to spread poverty, not to alleviate it. It humiliates and demoralizes physically handicapped recipients and their families alike. Such enforcement has worked injustice and hardship both upon the aging parents, passing out of the productive years of life, and upon their sons and daughters, still in the productive years of life but with mounting responsibilities of their own immediate families. Such laws tend to disrupt and destroy family ties, not strengthen them. It results in replacing mutual affection with bitterness. It retards or completely prevents the development of the healthy family relationships which are a major purpose of the public welfare programs under the Social Security Act. We urge the Committee to prohibit the responsibility of relatives provision in state laws for the blind and the disabled, just as the bill proposes to do for the aged.

#### ESTABLISHMENT OF ADVISORY COMMITTEES

We applaud the provision for the establishment of advisory committees in connection with the administration of public assistance with such committees



to include recipients as members. It is significant that the duties of such committees is not to advise, but to evaluate the operation of the programs. We can only hope that, in implementing this provision, the Secretary will insist that the spirit of this provision be translated into practice.

#### LIMITATION ON PROPERTY

While the value of the home is exempted, there is an overall limitation of \$1,500 proposed on all other property, real and personal. On July 6, 1968—more than three years ago—the Department of Health, Education and Welfare in Handbook Transmittal No. 86 issued regulations governing the upper limits which can be placed on real and personal property holdings. No monetary limits are required either on the home or personal and household effects and an automobile. No limitation is placed on the value of income-producing property provided that all net income is accounted for and taken into consideration in determining need. The sum of \$2,000 is placed as the limitation on cash reserves for each recipient. These regulations are currently in effect. Surely, the Committee will not wish to write into statute limitations which are less than those now existing.

#### JUDICIAL REVIEW

Under Title II of H.R. 14173, Sec. 446 (2) provision is made under the Family Assistance Program that final determination by the Secretary on a hearing of an individual shall be subject to judicial review. We urge that this same specific provision be included in existing Titles I, X, XIV and XVI of the Social Security Act.

H.R. 14080

Now, Mr. Chairman, I wish to give you our views on suggested changes on Titles II and XVIII of the Social Security Act.

#### INCREASE IN SOCIAL SECURITY BENEFITS

Certainly the National Federation of the Blind is in full accord with the necessity to increase the amount of benefits paid under the Social Security Act. However, we believe that the proposed ten percent is insufficient at this time. We believe that at least a fifteen percent increase is essential, effective December 1, 1969, in view of the rapid rise in the cost of living which has occurred over the past two years. We also feel that the proposal for a cost-of-living escalator provision should be enacted so that Social Security payments would at least keep pace with the rise in the Consumer's Price Index of the Bureau of Labor Statistics. This provision would in no way preclude the Congress from re-examining from time to time the overall adequacy of payments under our national Social Security system and making such adjustments as it found equitable.

#### MEDICARE COVERAGE FOR DISABILITY RECIPIENTS

A special task force appointed by the previous Administration recommended that Medicare coverage be extended to recipients of disability insurance under the Social Security Act. A similar task force, this time appointed by the present Administration, has recently recommended the same thing. We plead the need of disabled persons for health insurance protection. A person who qualifies for disability insurance benefits is in frequent, or even constant need for hospital services and medical attention, and the income of the disability insurance beneficiary is the same as it would be if he were to retire because of old age, so he is no better able than the older person to pay hospital charges and doctors' bills. It is our hope, therefore, that this Committee will act favorably on our proposal to afford health insurance protection to disabled persons under Title XVIII of the Social Security Act.

The CHAIRMAN. Thank you, Mr. Nagle, for coming to the committee and giving us the benefit of this very fine statement.

Are there any questions?

Mr. ULLMAN. Mr. Chairman?

The CHAIRMAN. Mr. Ullman.



Mr. ULLMAN. Mr. Nagle, I want to join in welcoming you back before the committee. I want to commend you. I don't think we have ever had a witness who reads with more rapidity and more clarity than you do. Most of our witnesses are pretty good, but there are some that I might recommend Braille to, and I want to say that your arguments are most compelling and I appreciate your testimony.

Mr. BETTS. Mr. Chairman?

The CHAIRMAN. Mr. Betts.

Mr. BETTS. I want to join with the chairman in congratulating you, John, on the fine award you received. It was a great honor, and I am glad to have the acquaintance of somebody that rates an award like this, and, of course, I want to be included in all the comments that have been made here about your appearance before the committee. I always appreciate your visits in the office because it sort of lays the groundwork for something like this and particularly on this subject because I think you have articulated your case very well—and I think I introduced this bill, too—I go along with your definition of the term "disability." To me anyone who isn't able to see and has to walk with a cane is just as disabled as anyone who has a bad leg and has to walk with a cane. I think you rationalize it very well and I want to compliment you for your statement and I am happy to see you here.

The CHAIRMAN. Mr. Burke?

Mr. BURKE. I wish to point out to the committee the statement made by Mr. Nagle on page 1 that over 151 Members of the House, including 10 members of the House Ways and Means Committee, have cosponsored H.R. 3782. This is due to the great work that Mr. Nagle has done. He has taken the time and effort, gone to each individual Member's office, and he has explained the bill to them. I know of no man on Capitol Hill who works any harder than Mr. Nagle. His presentation here this morning, of course, is excellent, and I certainly hope that his testimony and his hard work will bear fruit this year and that he will be successful in obtaining an amendment to the social security laws to include H.R. 3782.

The CHAIRMAN. Any further questions?

Thank you again, Mr. Nagle, for coming to the committee.

Mr. NAGLE. Thank you very much, Mr. Chairman, and members.  
(The following letter was received by the committee:)

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
Washington, D.C., November 3, 1969.

HON. WILBUR MILLS,  
Chairman, House Ways and Means Committee,  
The Capitol, Washington, D.C.

DEAR MR. CHAIRMAN: I wish to associate myself with the testimony submitted to your Committee on October 27 by John F. Nagle, Chief, Washington Office, National Federation of the Blind, in support of the Burke Disability Insurance for the Blind bill. This provision is similar to H.R. 9360 of which I am the author.

I am hopeful that the Committee will include approval of this measure during its deliberations.

Sincerely,

CHARLES C. DIGGS, Jr.,  
Member of Congress,  
13th District of Michigan.

The CHAIRMAN. Mr. McDaniel?

Mr. McDaniel, we appreciate very much having you before the committee this morning. If you will identify yourself for our record by giving us your name, address, and capacity in which you appear, we will be glad to recognize you.

**STATEMENT OF DURWARD K. McDANIEL, NATIONAL REPRESENTATIVE, AMERICAN COUNCIL OF THE BLIND**

Mr. McDANIEL. Thank you, Mr. Chairman.

I am Durward K. McDaniel, national representative of the American Council of the Blind. The address is 20 E Street NW., Washington, D.C. The ZIP code is 20001.

I appear here today on behalf of the American Council of the Blind and I want the committee to know how earnestly the council also endorses H.R. 3782 by Congressman Burke and many others.

I have filed a written statement for the record and request that it be published as part of the proceedings.

The CHAIRMAN. Without objection, it will be, Mr. McDaniel, immediately following your oral statement.

Mr. McDANIEL. In view of Mr. Nagle's excellent statement of the case for H.R. 3782, I shall emphasize other points in my remarks, making it clear that the American Council of the Blind concurs fully in the National Federation of the Blind's support of this proposition. Therefore, I shall devote most of my remarks to other matters of interest to this committee.

First, the American Council of the Blind is deeply interested in the extension of medicare benefits to disability beneficiaries under the law. All taxpayers pay the tax and it is only fair, we think, that all beneficiaries, whether disabled or dependents of retired or disabled beneficiaries, should benefit from the medicare provisions.

We also believe, in conjunction with the extension of medicare to the disability beneficiaries, that there should be a provision, an amendment to section 1843, permitting the buy-in provisions for recipients of the public assistance as there is in the case of old-age recipients. This would go far to solving the medical needs of these classes of people who now must depend upon the uncertain coverage of title 19, the Federal-State program, which generally gets called the medicaid.

One of the areas of greatest suffering in these classes of people is in the matter of people concurrently receiving social security payments and public assistance. As the committee knows, each time there is an increase in social security payments, that increase is immediately deducted from the welfare grant of the person who concurrently receives. Therefore, even though the cost of living continues to rise, this class of people number, counting all categories, perhaps 2 million in the economy, stand still. They don't really stand still except in income. Because of the inflation, they are going backward. Their standard of living is constantly being reduced by the deductions and the rising costs of living.

The American Council of the Blind believes that social security payments are in the nature of earned income, even though it is deferred in payment, and that all social security payments should be

disregarded in the determining of eligibility of recipients of public assistance.

I know that the committee has in the past put into the act permissive legislation that a few dollars can be disregarded by the States, but they don't do it. The increases in social security for these people concurrently receiving serve only as subsidies to State welfare departments because they take it off the welfare check and use it for something else. It doesn't help the recipient of aid at all.

I would like to call the committee's attention to the fact that it has been 9 years since there was any change in the amount of earned income which a recipient of aid to the blind could have disregarded in determining his eligibility. Since that time, the Consumer Price Index has gone up 57 percent. As the committee knows, the present exempt-earnings provision provides that the first \$85 of earned income and one-half of amounts in excess of \$85 shall be disregarded by the States. This should be increased, the American Council believes, to at least the amount allowed to beneficiaries under title II of the Social Security Act. This would about come out even with the increase in the cost of living, so that these people who are able to earn wouldn't be getting ahead. They would just try to catch up, try to stay even.

The subject of public assistance is one that deals with the people who are on the bottom of the ladder. They need the help worse than anyone else and the committee knows that the disparity between the highest and the lowest in this country is tremendous indeed—in California where the average grant for aid to the blind is approximately \$139, in Mississippi where it is approximately \$45.

These people are all citizens of the same country and the American Council of the Blind is convinced that we will never solve these disparities on a State-by-State basis. We think this is a Federal problem and a Federal question and that the only solution to it is the federalization of aid to the blind.

Now, why just aid to the blind? We wouldn't limit it to that except that it is the smallest of the categories and we think that the impact on the budget would be less, but we do think it has equal merit for all categories of assistance. The tinkering with the formula, the imposition of standards of one kind or another upon the States, merely serves to prolong the efforts to avoid any maintenance of effort and it doesn't do any good for the people who have to have something done for them; namely, the people on the recipients' rolls. It is time for the Congress to recognize that this is a national problem, that one citizen such as in Mississippi is not entitled to any less assistance than a citizen who lives in California, and whether the committee sees fit to allow for some supplementation on the top by the States, we advocate primarily that this be an all-Federal program whether it is run by the Social Security Administration or through the Federal-State system. We would prefer to have it administered federally, but whichever way it goes the payments of aid to the blind, we hope, will be equalized across the country with some safeguards that there will be no reduction in anyone's grant of aid by reason of federalization. But this is severely needed at this time. These people are living on less than a decent standard of living and this is the only way that it is ever going to be remedied.



I note in H.R. 14173 some provision for involvement, on an advisory council basis, of people who receive assistance and the American Council of the Blind is in favor of that but says that that does not go far enough because there is no arrangement for the selection of people to serve in this capacity. There needs to be some regular system of representation of recipients in the planning, delivering, and reviewing of such services, and until that happens these people are not going to be adequately protected and the administrators are not going to really know how they really feel and what their needs are.

Mr. Chairman, I appreciate the opportunity to appear here.

The American Council of the Blind in its lengthier statement has outlined other points of interest, but we are deeply concerned about the plight of social security beneficiaries and aid to the blind recipients in this country and urge that action be taken on it.

Thank you very much.

(The statement referred to follows:)

PREPARED STATEMENT OF DURWARD K. MCDANIEL, NATIONAL REPRESENTATIVE,  
AMERICAN COUNCIL OF THE BLIND

#### SUMMARY

The American Council of the Blind:

1. Favors medicare coverage of disability insurance beneficiaries as proposed by H.R. 699 and, in addition, the extension of coverage under Section 1843 of the Social Security Act to disabled and blind public assistance recipients under age 65.

2. Favors enactment of H.R. 6752, which would prevent the imposition of relative responsibility requirements in connection with certain cases of medical assistance under Title XIX of the Social Security Act for blind and disabled individuals.

3. Endorses the methods provided in H.R. 14080 for automatic adjustments in the earnings limitation for OASI beneficiaries and automatic cost-of-living increases in OASDI benefits.

4. Favors enactment of H.R. 3782, which provides for disability coverage of blind persons with six quarters of coverage.

5. Favors the abolition of coverage and recency requirements for disability insurance as provided by H.R. 1067.

6. Favors liberalization of the definition of disability for disability insurance purposes as provided by H.R. 183.

7. Favors enactment of H.R. 1281 to repeal Section 224 of the Social Security Act, which affects beneficiaries receiving workmen's compensation.

8. Favors increasing the earnings exemption for blind welfare recipients to the amount allowed to beneficiaries under Title II of the Social Security Act, with periodic cost-of-living adjustments.

9. Favors increased earnings exemptions for aged and disabled welfare recipients.

10. Favors a requirement that States disregard all OASDI benefits in determining need for recipients of aid to the blind.

11. Endorses, with modifications, the provisions in H.R. 14173 limiting relative responsibility and the application of liens against property and excluding income and resources of noncontributing adults from family income and resources.

12. Favors federalization of medicaid for and aid to the blind, with a guarantee against reductions in present grants and provisions for automatic cost-of-living increases and liberal standards of need and eligibility.

13. Opposes the abolition of Title X of the Social Security Act.

14. Favors the participation of recipients of aid to the aged, blind, and disabled in the periodic evaluation of State welfare programs as provided by H.R. 14173 and advocates the provision of additional procedures for the representation of interests and views of both welfare recipients and social security beneficiaries.

## INTRODUCTION

H.R. 14080 falls far short of meeting the compelling needs of social security beneficiaries in 1969. If appropriate and necessary changes are not made at this time, public demand will require a reconsideration of this subject in the near future.

While H.R. 14173 contains some improvements, it is characterized by major omissions. The American Council of the Blind believes that the provisions of this bill will not effectively meet the welfare problems of the country and that, if enacted in its present form, it will disappoint everyone, including its proponents.

The Committee has before it numerous constructive measures which would materially improve social security and welfare provisions of the law. These measures are referred to specifically in this statement, and other proposals are added for the consideration of the Committee.

## MEDICARE AND MEDICAID

*Health Insurance for the Disabled (H.R. 699)*

The inclusion of disability beneficiaries in the medicare program is long overdue. All wage earners pay an additional tax to finance medicare, but if they become disabled they are deprived of medicare benefits unless and until they reach age 65. The American Council of the Blind endorses H.R. 699 and similar bills which would extend this coverage to all disabled persons receiving benefits under the Social Security Act or the Railroad Retirement Act.

*Health Insurance for Public Assistance Recipients (Section 1843 of the Social Security Act)*

It is regrettable and discriminatory that persons under 65 receiving public assistance under Titles X, XIV and XVI are not covered by Section 1843 of the Social Security Act as are those over 65. These recipients are left to rely upon the inadequate and uncertain coverage of Title XIX.

*Relative Responsibility under Title XIX (H.R. 6752)*

The imposition of relative responsibility requirements in determining the eligibility and extent of medical assistance under Title XIX is causing considerable hardship to adult blind and disabled welfare recipients and their families. H.R. 6752 would prohibit the imposition of such requirements unless the recipient is the spouse of the minor child of the person whose financial responsibility is thus taken into account.

*Old-Age, Survivors, and Disability Insurance Benefits and Earnings (H.R. 14080, Sections 2-5)*

The American Council of the Blind endorses the methods provided by Sections 4 and 5(b) of H.R. 14080 for automatic adjustment of benefits and earnings limitations in accordance with changes in living costs or taxable wages.

Adequate base benefit amounts and earnings allowances are not provided by this bill, however. It is essential to the functioning of any escalator procedure that the foundation be liberal; if it is not satisfactory, the inevitable result will be frequent amendments.

For many retired or disabled workers whose wages while employed were above the poverty line the maximum family benefits proposed in Section 2(2) of H.R. 14080 are below that line. For those in the higher wage brackets the proposed benefits represent substantial decreases in living standards. As long as OASDI benefits remain inadequate large numbers of aged and disabled persons will be forced to seek welfare grants to supplement their benefits; this result is not only demeaning to the beneficiaries but substantially increases overall administrative costs.

For the many beneficiaries who are also receiving public assistance payments, the meager increases in benefits proposed in H.R. 14080 will be meaningless because they will be deducted immediately from their grants. While the administration's welfare proposal, H.R. 14173, does provide that one-half of unearned income of a family shall be disregarded, no such provision is made for the aged, blind, or disabled categories. Thus, in these cases, the increase in benefits will be nothing more than an indirect subsidy to State welfare programs, leaving the beneficiaries no better off than before.

The \$10 increase in the earnings exemption proposed in H.R. 14080 is too slight to have any significant effect on living standards of beneficiaries. While the proposed removal of the present provision that all earnings above \$2,880 are



to be considered as excess will assist those beneficiaries who earn more than this amount, it will not help those retired persons who are not able to work regularly or at substantial pay rates.

#### *Disability Coverage (H.R. 3782 and H.R. 1067)*

The American Council of the Blind supports H.R. 3782, which would provide benefits to blind persons having six quarters of coverage, with the same earned income allowance as that for beneficiaries who have attained the age of 72. This would afford blind beneficiaries a genuine opportunity for security and a decent standard of living.

The American Council of the Blind believes that the disability insurance eligibility requirement of 20 quarters of coverage out of the last 40 quarters is arbitrary and discriminatory, having the effect of excluding many persons who are fully insured as defined by Section 214 of the Social Security Act. This requirement is particularly discriminatory against those persons who became disabled too long ago to qualify under Section 223. Many of those excluded disabled persons have not yet reached retirement age and receive no benefits, although some of them are fully insured. This inequity should be remedied now. Fully insured status should not have less meaning or effect for one injured worker than for another. Accordingly, we support the abolition of the special coverage and recency test of the present law which would be accomplished by H.R. 1067.

#### *Definition of Disability (H.R. 183)*

Adoption of the definition of disability included in Section 223(d)(2)(A) of the Social Security Act was a reactionary step. Under this definition an individual's disability claim can be denied if a job which he theoretically can perform allegedly exists somewhere in the national economy, even though he would not be hired if he applied for such job. The law should provide that a claimant otherwise eligible cannot be disqualified for disability benefits if he is willing to accept a job which is suitable, taking into consideration his education and work experience. Or, if the alleged existence of a job somewhere in the national economy is to be an eligibility factor, then the appropriate public agency should be required to place the claimant in that job. The liberalized definition of disability proposed in H.R. 183 would eliminate the oppressive features of the present law and provide a more objective standard than the definition existing prior to the 1967 amendments.

#### *Workmen's Compensation (H.R. 1281)*

The American Council of the Blind urges an amendment (as provided by H.R. 1281) repealing Section 224 of the Social Security Act, which limits the amount which can be received by a beneficiary who concurrently receives workmen's compensation. This limitation is an example of the negative concept that a beneficiary should not be as well off as he was while working. Workmen's compensation is not paid for by Federal revenue and should have no bearing on social security benefits. The principal effects of this provision are reductions in the living standards of injured workmen and increases in the profits of insurance carriers.

#### PUBLIC ASSISTANCE

#### *Earnings Exemptions (H.R. 14173, Title II, Section 201)*

The revision of Section 1603 proposed in H.R. 14173 makes no provision for increasing the present earnings exemptions of aged, blind, and disabled welfare recipients. While Title I of H.R. 14173 makes an attempt to lift families with children out of poverty by encouraging them to take advantage of training and employment opportunities and by excluding from the income taken into consideration in determining eligibility such items as food stamps, home produce, and one-half of all unearned income, no such attempt is made in this bill on behalf of aged, blind, and disabled recipients. This emphasis on one class of the poor to the exclusion of others is discriminatory.

The present exempt earnings allowance for blind public assistance recipients was adopted by the Congress in 1960. For the month in which this allowance became mandatory, July 1962, the Consumer Price Index stood at 105.5. For September 1969, the most recent month for which statistics are available, the CPI was 129.3. Thus, the cost of living has increased almost 23 percent since the present earnings limitation for blind public assistance recipients was adopted. During this same period the earnings limitation for OASI beneficiaries under



Title II has been increased twice, from \$1450 to \$2280, or 57 percent. To remedy this obvious inequity the American Council of the Blind proposes that aid to the blind recipients be allowed the same earnings exemptions, including any provisions for automatic adjustments in accordance with wage levels or living costs, as are allowed in Title II beneficiaries.

The Council proposes that the earnings limitations for aged and disabled beneficiaries also be raised from the present \$20 of the first \$80 per month plus one-half of the remainder thereof. This ceiling is too low to provide adequate living standards or to serve as an incentive to employment.

#### *Deduction of OASDI Benefits from Welfare Grants*

One of the great injustices permitted in the public assistance programs is the deduction of social security benefits from cash payments to welfare recipients. The American Council of the Blind believes that social security benefits are tantamount to deferred earnings and that they should be disregarded in determining need for recipients of aid to the blind. No recipient of public assistance can ever be lifted out of poverty if the only effect of his receiving benefits is to subsidize State welfare programs. The deduction of benefits from welfare grants is practiced in all States regardless of the amount paid in assistance. We advocate an amendment to H.R. 14173 to correct this injustice.

#### *Relative Responsibility and Lien Requirements (H.R. 14173)*

The provision of H.R. 14173 which would limit the imposition of relative responsibility requirements and property liens are long overdue. The Council endorses proposed Section 445 (e) of Title I, providing for the exclusion of the income and resources of noncontributing adults in determining eligibility for and amount of family assistance, and proposed Section 1603 (b) (4) of Title II, restricting the imposition of property liens to those cases in which judgments of benefits incorrectly paid are rendered by a court. Proposed Section 1603 (a) (2) in the bill, limiting relative responsibility under Title XVI, while it represents an improvement, has the defect that it allows a State to consider the financial responsibility of another individual for an applicant or recipient if the applicant or recipient is a blind or severely disabled child of the individual, regardless of the age of such child. This would permit the imposition of financial responsibility requirements with respect to parents of adult blind and disabled persons. To cure this defect the American Council of the Blind proposes that the word "or" following the word "twenty-one" in line 5, page 61, of H.R. 14173 be replaced by the word "and".

#### *Federalization of Medicaid for and Aid to the Blind*

If welfare has been a failure, as President Nixon has stated, it has been a failure for all types of recipients, not for those in the AFDC category alone. All recipients alike have suffered from failure to meet need, from inadequate State support, and from incentive-stifling restrictions. While the administration's welfare bill, H.R. 14173, would raise standards for the aged, blind and disabled categories, it does not take the logical step of proposing federalization of these programs as in the case of family assistance. There is no justification for this distinction. The American Council of the Blind proposes that Congress proceed immediately to federalize completely the smallest of the categories, aid to the blind, including medicaid for the blind, as a pilot program which would not only improve the living standards of needy blind persons throughout the country but demonstrate the advantages of liberal and uniform standards. Legislation to establish such a program should include the following safeguards: (1) Provision for amounts of aid sufficient to meet the minimum basic needs of blind persons and additional amounts to meet special needs; (2) provision for automatic cost-of-living adjustments in grants; (3) provision for liberal eligibility standards; and (4) a guarantee that no recipient will receive a reduced grant by reason of federalization of the program.

#### *Retention of Title X of the Social Security Act*

The American Council of the Blind advocates the retention of Title X, federalized in accordance with the preceding paragraph. The history of Title XVI in the several States which have adopted that program has been unsatisfactory because the inflexibility of Title XVI has made it difficult to meet the special needs of some categories of recipients. The proposed provisions of this title in H.R. 14173 hold no promise of relief from the inflexibility of the present law.

*Representation of Beneficiaries and Recipients*

The creation of procedures for the representation of the interests and views of social security beneficiaries and welfare recipients is desirable and necessary for the effective planning, delivering, and reviewing of these important government services. Complaints and proposals for improvements could be dealt with properly and expeditiously on a regular formal basis through consultation and evaluation of these services by government officials and representatives of such beneficiaries and recipients. While H.R. 14080 makes no provision for such participation by social security beneficiaries, proposed Section 1602(a)(16), Title II, of H.R. 14173 provides for the participation of recipients of aid to the aged, blind, and disabled in the periodic evaluation of State welfare programs. This is a step in the right direction, but there should be a system by which beneficiaries and recipients would select their own representatives. An appropriate model for such procedures and consultation has been established by Executive Order No. 10988, which provides a system for choosing representatives of Federal employees.

The CHAIRMAN. Mr. McDaniel, we thank you very much for your very fine statement and for coming to the committee to share it with us.

Are there any questions of Mr. McDaniel?

We thank you very much.

Mr. McDANIEL. Thank you.

The CHAIRMAN. Mr. Irvin P. Schloss.

Mr. Schloss, if you will identify yourself for our record, we will be glad to recognize you, sir.

STATEMENT OF IRVIN P. SCHLOSS, LEGISLATIVE ANALYST,  
AMERICAN FOUNDATION FOR THE BLIND, AND ON BEHALF OF  
AMERICAN ASSOCIATION OF WORKERS FOR THE BLIND; ACCOMPANIED BY JOHN NALER, ACTING EXECUTIVE DIRECTOR,  
AMERICAN ASSOCIATION OF WORKERS FOR THE BLIND

Mr. SCHLOSS. Thank you.

My name is Irvin P. Schloss. I am the Washington representative of the American Foundation for the Blind, the national voluntary research and consultant agency in the field of services to blind persons. I am also the vice chairman of the legislative committee of the American Association of Workers for the Blind, the national professional membership organization of workers in the field. I am accompanied by Mr. John Naler, the acting executive director of the American Association of Workers for the Blind.

The CHAIRMAN. We are glad to have both of you gentlemen with us and you are recognized, sir.

Mr. SCHLOSS. Thank you, Mr. Chairman.

I have submitted a written statement for inclusion in the record of the hearings. With your permission, I will be glad to summarize it.

The CHAIRMAN. All right, with the understanding that your entire statement will appear in the record immediately following your oral presentation.

Mr. SCHLOSS. Thank you.

Both of our national organizations endorse an increase in OASDI benefits across the board effective January 1. We would recommend that the increase be at least 15 percent. We would further recommend that some mechanism for providing for automatic increases tied to the Consumer Price Index be evolved to minimize hardship that bene-



ficiaries encounter during periods of rapid cost rise before the Congress can take action to increase benefits legislatively.

Similarly, we would recommend an increase in the taxable wage base to at least \$9,000 with some automatic mechanism evolved to take into account increasing wage levels so that benefits will reach the point where they are more closely related to total earnings. Needless to say, even with automatic mechanisms that we are suggesting this should not preclude action by the committee to evaluate the effectiveness of the programs, make additional increases, and in fact bring the programs of benefits to levels which would take into account improved living standards as well as increased living costs.

With regard to survivor benefits, we endorse the provision of H.R. 14081 which would entitle a widow at age 65 to a benefit equal to 100 percent of the primary insurance amount of her deceased husband. We also welcome the provision in the same bill which improves the eligibility requirement for disabled child's benefits by increasing the age at which the disability could occur up to age 22.

In addition, we would strongly recommend to the committee improvements in the benefit structure affecting disabled widows, widowers, and surviving divorced wives. These individuals are laboring under very severe circumstances and their benefits are extremely low. We would urge the committee to eliminate the age 50 qualifying requirement. We would also urge that the benefit be based on 100 percent of the primary insurance amount of the deceased individual on whose wage record the beneficiary receives his benefits, regardless of the age at which the disability occurs. And we would also recommend liberalizing the definition of "disability" to make it at least the same as the definition for disability insurance beneficiaries. As you know, the definition of "disability" for disabled widows, widowers, and surviving divorced wives precludes any gainful activity; and it appears to us that this is a rather harsh definition for a group of individuals who are extremely hard pressed.

We, too, endorse the provisions of H.R. 3782 which would extend disability insurance to blind persons with a minimum of 6 quarters of coverage without regard to ability to engage in substantial gainful activity. Since Mr. Nagle so capably presented the need for this program, I would just like to underscore one aspect which I believe illustrates the unique circumstances of blindness as a disability in this connection.

The 87th Congress, with the interest and concern of Congressman Robert Corbett of Pennsylvania, the ranking minority member of the House Post Office and Civil Service Committee, enacted Public Law 614, which authorizes blind Federal employees to hire their own readers to use on jobs for reading assistance. This legislation was supported by the U.S. Civil Service Commission; and it came about because blind persons due to their inability to read print and regardless of their professional training were precluded from entering Government service at the entry grades of 5, 7, and even 9, because adequate clerical assistance was not provided in the course of their job. So I believe that this particular law illustrates the unique problem that blind people have in obtaining employment and in incurring additional cost to make it possible for them to earn a living.



With regard to improvements in the health care program under title XVIII of the act, we would recommend that the cost of prescription drugs be covered. The high costs of prescription drugs which are needed by the elderly to deal with the chronic ailments which are common in that age bracket do, in fact, take a substantial part of their social security cash benefits.

In addition, we would recommend coverage under title XVIII of disability insurance beneficiaries as recommended by the advisory council on social security a couple of years ago. We would further recommend that disabled child beneficiaries and disabled widows, widowers, and surviving divorced wives be entitled to health care coverage under title XVIII. Their needs for health care coverage are as acute as those of the not as severely disabled elderly and yet their financial circumstances may be even more acute.

Finally, with regard to health care coverage, we would like to recommend that special rehabilitation center training be authorized. This would be of particular value to elderly blind persons, persons who lose their sight late in life, where special rehabilitation center training would be an asset in assisting them to more adequately meet their personal needs and achieve self-care. Since these special training procedures for blind persons are usually provided through local voluntary agencies for the blind and State agencies for the blind, they are not in what would clearly be called a medical facility. Yet the type of training is clearly related to medical needs including foot care for blind persons whose blindness results from diabetes.

With regard to the public assistance provisions as recommended in H.R. 14173, we wholeheartedly endorse the provision of a minimum payment of \$90 a month for the aged, blind, and disabled, less non-exempt earnings. We also endorse the prohibition of imposition of a lien on the residence, or property, of an assistance recipient. We would hope, though, that, since titles I, X, and XIV are being repealed, some safeguards would be taken to provide for the differences in needs of the three groups covered. There are differences in need and we would hope that benefits in States going under the single title XVI would not settle for the least common denominator but rather would go upward.

With regard to benefits under title V of the Social Security Act covering maternal and child health and crippled children's services, the National Federation of the Blind, whose very able representative appeared earlier, has asked that we also indicate their support for our recommendations in order to eliminate duplicating testimony. We believe that this program has a great potential for preventing and ameliorating disability in children; and this, of course, has long-range implications in avoiding need for costlier special education procedures, vocational rehabilitation procedures, and in many instances the need for public assistance.

We would recommend first that the title of title V and the appropriate text be amended to eliminate the word "crippled" and substitute the word "handicapped." This would much more adequately reflect the true scope of the program. As you know, originally it was orthopedically oriented, but over the years it has taken in impaired vision problems, hearing, congenital malformations, and the like; and it is basically a much broader program than the term "crippled"

would imply. We believe that the term "handicapped" would be much more effective in giving visibility to the program not only for potential beneficiaries but also in State legislatures in increasing State appropriations to meet the cost.

We would also recommend that the funding mechanism be improved in two ways: that it be set up in the same way as the public assistance funding mechanism is set up to make it possible for a State to receive as much in Federal funds as it is capable of matching, and that the Federal share be sharply increased. The present formula, largely a 50-50 formula, has become rather unsalable with so many other Federal-State cooperative programs funded at a much more advantageous rate.

Finally, we would suggest that State plan provisions be strengthened particularly to take into account and make possible more comprehensive services across the board, including an establishment of priority systems for types of disability which will be treated. We believe this is especially important as the special project provisions under sections 508, 509, and 510—for the maternity and infant care, and early detection in preschool and school-age children, and dental care—are due to expire at the end of June of 1972.

We believe that the basic program can be substantially strengthened to make it comprehensive and make it fulfill the great function which it can fulfill in preventing and ameliorating disability among young children. The important thing is that in so many conditions, as the eye conditions I indicated in my written statement—crossed-eye and lazy eye—that these conditions need to be caught and treated very early in the preschool years in order to avoid substantial vision loss. We believe that with a substantially strengthened maternal and child health and handicapped children's program, this can be accomplished not only to improve programs for the visually handicapped, but also for all types of potential disabilities.

In conclusion, Mr. Chairman, I would like to express the appreciation of both of our national organizations for this opportunity to present our views. We believe that the social insurance program, public assistance program, and the maternal and child health and crippled children's program will be substantially strengthened if our recommendations are accepted.

Thank you.

(The statement of Mr. Schloss follows:)

STATEMENT OF IRVIN P. SCHLOSS, LEGISLATIVE ANALYST, AMERICAN FOUNDATION  
FOR THE BLIND

#### SUMMARY

The American Foundation for the Blind, the national voluntary research and consultant agency in the field of services to the blind, and the American Association of Workers for the Blind, the national professional membership association in the field, wholeheartedly endorse an increase in cash benefits effective January 1, 1970, for all beneficiaries under Title II of the Social Security Act. We believe that the increase should be at least 15% and that provision should be made for automatic increases based on increases in the Consumer Price Index in order to avoid severe financial hardship for beneficiaries during periods of rapid increases in the cost of living similar to those experienced in recent years. However, an automatic benefit increase mechanism should not preclude periodic Congressional review to determine the need for further additional benefit increases to make OASDI cash payments more adequate and to take into account generally improved living standards.



Similarly, we advocate an increase in the taxable wage base to at least \$9,000 with provision for automatic increases as wage levels increase, in order to assure adequate benefits to current and future beneficiaries more closely related to their total earnings during their working years. Again, automatic wage base adjustments should not preclude Congressional review to assure actuarial soundness of financing and to make necessary adjustments.

Both organizations welcome and endorse the provision in H.R. 14081 increasing the widow's benefit at age 65 to 100% of her deceased husband's primary insurance amount with actuarial reductions to the present 82½% if she accepts benefits at age 62. We also welcome the provision in H.R. 14081 extending eligibility for disabled child's benefits to individuals whose disability occurred before age 22. We would strongly recommend liberalization for disabled widows, widowers, and surviving divorced wives, so that these particularly hard-pressed individuals will receive more adequate cash benefits. We recommend the following improvements: (1) elimination of the age 50 requirement as the minimum age qualification; (2) cash benefits based on 100% of the primary insurance amount of the deceased individual on whose wage record the benefit is based; and (3) making the qualifying definition of disability the same as that used for disability insurance.

We wholeheartedly endorse enactment of H.R. 3782, which would make it possible for blind persons to qualify for cash disability insurance benefits with at least six quarters of covered employment without regard to their ability to engage in substantial gainful activity. Since "substantial gainful activity" is interpreted by the Social Security Administration to mean annual earnings varying from half the amount specified in the retirement test (\$840 to \$1,680 under present law), such annual earnings could hardly be characterized as "substantial". Yet earnings of \$900 a year could deprive a disabled beneficiary of substantially higher cash benefits and work a severe hardship on the individual and his family. H.R. 3782 would provide a secure financial floor from which a blind person would be able to rehabilitate himself without fear of losing his benefit should he find it possible to obtain only low-paying employment after completing training.

With regard to health care benefits under Title XVIII, we believe that the program should be improved to cover the cost of prescription drugs, a burdensome cost which consumes a substantial part of an elderly individual's monthly cash benefit. We would strongly urge the Committee to cover disability insurance beneficiaries for health care benefits under Title XVIII in accordance with the recommendations of the Advisory Council on Social Security in recent years. The special needs of these individuals for adequate health care may be even more acute than the needs of most elderly persons already covered, while their financial resources may be more limited. Finally, we would recommend improving Title XVIII to cover special rehabilitation center services designed to train blind and otherwise disabled persons for more adequate self-care. This would be particularly important to older beneficiaries who can not expect similar services under the Federal-State vocational rehabilitation program.

We endorse the provision in proposed Title XVI of the Social Security Act as revised in H.R. 14173 to require a minimum payment of \$90 a month for aged, blind, and disabled public assistance recipients. We also support provisions to prohibit liens on a recipient's property or estate and to eliminate onerous and costly administrative procedures for checking on recipients. Since H.R. 14173 repeals Titles I, X, and XIV, and supplants them with revised Title XVI, we hope that the Committee will provide safeguards to assure adequate differentiation based on special needs of the groups concerned.

The National Federation of the Blind, whose representative is appearing before this Committee on other aspects of the Social Security Act, joins with the American Foundation for the Blind and the American Association of Workers for the Blind in advocating improvements in Title V, covering maternal and child health and crippled children's services. This program has an excellent potential for preventing and ameliorating disability. We believe that this potential could be attained if the following improvements were made: (1) change the term "crippled children" in the title and text to "handicapped children" to more accurately reflect the scope of the program; (2) provide for financing similar to that used in the public assistance program, so that each state will receive as much of a Federal contribution as it is capable of matching; and (3) strengthen state plan provisions in various ways, including assurance of comprehensive services after the special project programs expire.



## INCREASE IN OASDI CASH BENEFITS

The American Foundation for the Blind and the American Association of Workers for the Blind wholeheartedly endorse a substantial increase in cash benefits effective January 1, 1970, for all beneficiaries under Title II of the Social Security Act. Rapid increases in living costs in recent years have made it extremely difficult for OASDI beneficiaries, especially those who must rely exclusively on that income, to live at a level adequate for minimum human needs. We, therefore, believe that the increase should be at least 15% and that provision should be made for automatic increases based on increases in the Consumer Price Index. This would avoid severe financial hardship for beneficiaries during periods of rapid rises in the cost of living similar to those experienced in recent years before the Congress has time to act. We would therefore endorse enactment of H.R. 11112. However, an automatic benefit increase mechanism should not preclude periodic Congressional review to determine the need for further additional benefit increases to make OASDI cash payments more adequate and to take into account generally improved living standards.

Similarly, we advocate an increase in the taxable wage base to at least \$9,000 with provision for automatic increases as wage levels increase, in order to assure adequate benefits to current and future beneficiaries more closely related to their total earnings during their working years. Over the years wage levels have increased; the taxable wage base has not been raised in the same proportion. As a result, retired persons have found that the so-called "golden years" of retirement to which they had looked forward were, in effect, years of financial deprivation with the need for drastically reduced living standards. Again, automatic wage base adjustments should not preclude Congressional review to assure actuarial soundness of financing and to make necessary adjustments.

## IMPROVED SURVIVOR BENEFITS

Both organizations welcome and endorse the provision in H.R. 14081 increasing the widow's benefit at age 65 to 100% of her deceased husband's primary insurance amount with actuarial reductions to the present 82½% if she accepts benefits at age 62. We also welcome the provision in H.R. 14081 extending eligibility for disabled child's benefits to individuals whose disability occurred before age 22. We would strongly recommend liberalization for disabled widows, widowers, and surviving divorced wives, so that these particularly hard-pressed individuals will receive more adequate cash benefits. Existing eligibility requirements on cash benefits for these individuals are unduly harsh. We recommend the following improvements: (1) elimination of the age 50 requirement as the minimum age qualification; (2) cash benefits based on 100% of the primary insurance amount of the deceased individual on whose wage record the benefit is based; and (3) making the qualifying definition of disability the same as that used for disability insurance.

## DISABILITY INSURANCE FOR THE BLIND

We wholeheartedly endorse enactment of H.R. 3782, which would make it possible for blind persons to qualify for cash disability insurance benefits with at least six quarters of covered employment without regard to their ability to engage in substantial gainful activity. Of course, the actual amount of disability insurance cash benefits will vary with the number of quarters in covered employment and the wage credits of the individual. This bill would base the award of cash benefits on a medical determination that blindness exists and that the condition severely curtails opportunities for employment and is a serious handicap in other than economic ways.

We are firmly convinced that enactment of the provisions of H.R. 3782 into law will definitely serve to spur the rehabilitation of blind persons. By providing blind persons with an economic floor from which to operate while rehabilitating themselves, the Congress will give them an opportunity to explore various occupations without the risk of losing their benefits should they fail in one endeavor and find it necessary to try something else.

On the other hand, the existing law serves as a deterrent to rehabilitation: for there is no incentive to experiment when a blind person has to risk losing the security of his cash benefits when he accepts employment which may provide an income substantially smaller. As you know, the term "ability to engage in sub-

stantial gainful activity" in the present definition of disability is variously interpreted across the country by the different state agencies making disability determinations. Thus, an individual who earns anywhere from \$840 to \$1,680 a year after rehabilitation will no longer be entitled to receive *any* disability insurance cash benefits, depending on the state in which he resides. Since the cash benefits could easily have been double the individual's earned income, the present definition of disability works a hardship on the disabled individual and his family in the name of rehabilitation.

We know from the experience of World War II and Korean Conflict blinded veterans that the floor of financial security provided by their disability compensation has been an incentive rather than a deterrent to rehabilitation. We can confidently predict that the same will be true of blind disability insurance beneficiaries under Social Security.

#### HEALTH CARE BENEFITS

With regard to health care benefits under Title XVIII, we believe that the program should be improved to cover the cost of prescription drugs, a burdensome cost which consumes a substantial part of an elderly individual's monthly cash benefit. Adequate medical care of many chronic ailments of the elderly requires the use of expensive medication. We believe that the cost of covering prescription drugs would be offset by avoiding or delaying the need for costlier inpatient care in a hospital or extended care facility.

We would strongly urge the Committee to cover disability insurance beneficiaries for health care benefits under Title XVIII as provided in H.R. 2378, in accordance with the recommendations of the Advisory Council on Social Security in recent years. Also, we would recommend that those entitled to receive cash benefits as disabled children, widows, widowers, and surviving divorced wives be covered by Title XVIII benefits. The special needs of these individuals for adequate health care may be even more acute than the needs of most elderly people already covered, while their financial resources may be more limited. Finally, we would recommend improving Title XVIII to cover special rehabilitation center services designed to train blind and otherwise disabled persons for more adequate self-care. This would be particularly important to older beneficiaries who can not expect similar services under the Federal-State vocational rehabilitation program.

#### PUBLIC ASSISTANCE BENEFITS

We endorse the provision in proposed Title XVI of the Social Security Act as revised in H.R. 14173 to require a minimum payment of \$90 a month for aged, blind, and disabled public assistance recipients. We also support provisions to prohibit liens on a recipient's property or estate and to eliminate onerous and costly administrative procedures for checking on recipients. The veteran pension program has been successfully administered by requiring beneficiaries to file an annual income report and without the need for costly investigative procedures. We believe that equally satisfactory results will obtain from simplified administration of the public assistance program. Since H.R. 14173 repeals Titles I, X, and XIV, and supplants them with revised Title XVI, we hope that the Committee will provide safeguards to assure adequate differentiation based on special needs of the groups concerned.

#### MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN'S SERVICES

The National Federation of the Blind, whose representative is appearing before this Committee on other aspects of the Social Security Act, joins with the American Foundation for the Blind and the American Association of Workers for the Blind in advocating improvements in Title V, covering maternal and child health and crippled children's services. This program has an excellent potential for preventing and ameliorating disability. We believe that this potential could be attained if the following improvements were made: (1) change the term "crippled children" in the title and text to "handicapped children" to more accurately reflect the scope of the program; (2) provide for financing similar to that used in the public assistance program, so that each state will receive as much of a Federal contribution as it is capable of matching; and (3) strengthen state plan provisions in various ways, including assurance of comprehensive services after the special project programs expire.



As you know, the original emphasis in this program was treatment of children with orthopedic disabilities. Hence, the name "services for crippled children" was an appropriate one. Over the years, however, other types of handicapping conditions were included within the scope of the program. These conditions include epilepsy, congenital malformations, impaired vision, impaired hearing, cerebral palsy, and mental retardation.

To both professional and lay persons, the term "crippled" still refers to an orthopedic disability. We firmly believed that changing the name of the program and appropriate text in accordance with our recommendation will give the program substantially better visibility to the parents of children who should be served by it and result in increased state financial support as well.

Two examples of correctable eye diseases in children will illustrate the value of this program in preventing blindness. Strabismus (crossed eyes) is a condition which is readily correctable through the use of prescription eye glasses or surgery. If not corrected, vision in the crossed eye is suppressed until severe sight loss results. Similarly, amblyopia ex anopsia (lazy eye) is a condition which results in severe sight loss in the suppressed eye. Both of these conditions should be detected and treated as early as possible in the preschool years in order to prevent the serious sight loss which may then necessitate costly special education and vocational rehabilitation procedures.

The Social Security amendments of 1967 added a definition of crippling conditions to the Federal law which should result in comprehensive services to children with a wide variety of handicapping conditions as the impact of this amendment is increasingly felt. We would strongly urge the Committee to improve financing of the basic Federal-State program by making it similar to the financing method used in Title XVI to assure the needed increase in services on a comprehensive basis in every State. Improved financing will be particularly important when the special project programs under Sections 508, 509, and 510 expire on June 30, 1972.

Similarly, State plan provisions for the basic program should be strengthened to assure comprehensive detection and treatment procedures when the provisions of these same special project programs are no longer applicable. We would further recommend that the State agencies administering State plans for vocational rehabilitation services for the blind be authorized to provide services for children with vision problems in the Title V program.

With more adequate Federal financial support, with authorization for a specialized State agency to serve the group it knows best, and with a proper system of priorities based on the handicapping effects of a condition, no child need be deprived of services which would assist him to lead a more normal life as a result of prevention or correction of a handicapping condition.

#### CONCLUSION

In closing, Mr. Chairman, I should like to express the appreciation of the American Foundation for the Blind and the American Association of Workers for the Blind for the consideration this Committee is giving our recommendations. We believe that these recommendations will strengthen our social insurance programs in urgently needed ways, improve Title V programs, and materially aid public assistance recipients. We sincerely hope that the Committee will take favorable action on these recommendations.

The CHAIRMAN. Mr. Schloss, we thank you, sir, for bringing to us a very fine statement on behalf of the American Foundation for the Blind and American Association of Workers for the Blind. Are there any questions of Mr. Schloss?

We thank you very much.

Mr. SCHLOSS. Thank you.

(The following supplementary statement was received for the record:)



SUPPLEMENTARY STATEMENT OF IRVIN P. SCHLOSS, LEGISLATIVE ANALYST, AMERICAN FOUNDATION FOR THE BLIND, AND ON BEHALF OF THE AMERICAN ASSOCIATION OF WORKERS FOR THE BLIND

With regard to our testimony and written statement to the Committee on October 27 concerning Section 201 of H.R. 14173, we should like to submit the following supplementary views of both the American Foundation for the Blind and the American Association of Workers for the Blind.

As we indicated during our personal appearance before the Committee, both organizations favor the improvement in the formula for determining grants to the states for public assistance payments to the aged, blind and disabled contained in revised Title XVI proposed by H.R. 14173. We also endorse the establishment of a minimum monthly payment of \$90 per recipient less nonexempt income and the provision prohibiting the imposition of a lien on the property or estate of recipients. However, we are concerned that repeal of Titles I, X, and XIV of the Social Security Act and mandatory acceptance of Title XVI by the states for receiving federal aid in making public assistance payments to the aged, blind, and disabled may work to the disadvantage of blind individuals.

Experience of blind public assistance recipients in some of the states which are presently receiving federal funds under Title XVI indicates that not enough consideration is given in administration at state and local levels to special needs. Too often, states administering public assistance under Title XVI develop uniform standards for dispensing aid to all three categories based on the lowest common denominator rather than bringing payments up to the highest level paid to one of the categories. In most states, cash payments to Aid to the Blind recipients and other special benefits have tended to be at a higher level than those for the aged or disabled. The fact that the numbers of blind public assistance recipients is substantially smaller than the numbers of individuals on Old Age Assistance or Aid to the Permanently and Totally Disabled rolls has made it possible for the states to be more liberal in Aid to the Blind benefits. Hence, our concern is that states will administratively level benefits to a lower average for individuals in all three categories in order to gain uniformity instead of increasing them for those categories which have historically lagged.

Similarly, we are concerned that the needs of blind persons for specialized social and rehabilitative services to assist them in achieving self support and self care will be administratively diluted in a generic approach under Title XVI.

Therefore, both the American Foundation for the Blind and the American Association of Workers for the Blind recommend that Section 202 of H.R. 14173 repealing Titles I, X, and XIV be eliminated so that states will continue to have the option of receiving federal funds for public assistance payments on a categorical rather than generic basis if they choose to do so. We would also strongly recommend that the phrase ". . . or any period thereafter. . . ." in Section 141 (b) of Public Law 87-543 be stricken in order to permit states presently administering public assistance under Title XVI to elect categorical administration of the program under Titles I, X, and XIV if they find their experience under Title XVI to be unsatisfactory.

We would further recommend that the improved financing formula, establishment of the minimum monthly benefit of \$90 for each recipient, prohibition of liens on the property or estate of recipients, and other improvements made by H.R. 14173 in revised Title XVI be included in Titles I, X, and XIV. We would also urge that the elimination of relative's responsibility in revised Title XVI be extended to cover the blind and disabled over age 21 and that the same provision be incorporated in Titles I, X, and XIV.

Finally, we would strongly recommend that provision be made for disregarding increases in OASDI benefits in determining need and actual cash payments to public assistance recipients. As you know, low OASDI benefits have made it necessary for a substantial number of beneficiaries to require supplementation of their income through public assistance. In the past, increases in OASDI benefits have been offset against public assistance payments, thus depriving individuals of urgently needed benefit increases while saving the states' money. A mandatory provision in federal law requiring such increases to be passed on to individual recipients would be most welcome.

The CHAIRMAN. Our next witness is Mrs. Sanders. If you will identify yourself, we will be glad to recognize you.

**STATEMENT OF DR. GEORGE A. WILEY, EXECUTIVE DIRECTOR;  
MRS. BEULAH SANDERS, FIRST VICE CHAIRMAN; AND CARL  
RACHLIN, GENERAL COUNSEL, NATIONAL WELFARE RIGHTS  
ORGANIZATION**

Mrs. SANDERS. My name is Beulah Sanders, first vice chairman of the National Welfare Rights Organization. To my right is Mr. Carl Rachlin, who is our legal counsel. To my left is Dr. George Wiley, who is the national director of the National Welfare Rights Organization.

I am sorry to say that Mrs. Tillmon could not make it at this time.

The CHAIRMAN. We are glad that you could and that you brought with you these two gentlemen. You are recognized.

Mrs. SANDERS. The three of us will be doing the testimony in parts.

The CHAIRMAN. All right.

Mrs. SANDERS. The National Welfare Rights Organization directly represents 75,000 welfare families who are the members of local welfare rights organizations in more than 150 communities nationwide. We speak for more than 50 million poor people—black and white, Puerto Rican and Mexican-American, and American Indians who do not have adequate income to provide the basic necessities of life for their families.

We have organized NWRO to get the money we need to raise our families. We have organized NWRO to find out about and protect our legal rights. We have organized NWRO to fight for opportunities for decent jobs with adequate pay. We have organized NWRO to participate in this country, to be a part of this country.

Testifying before this important committee of the Congress of the United States, telling you the concerns and ideas of poor people is an important part of NWRO business.

The last time we tried to present our views to Congress some people told us that we were wasting our time, that we should go home and kill the rats and roaches we were complaining about, or instead of coming here that we should take jobs even if it was just picking up dead dogs off the streets. We hope you understand how important it is that poor people are organizing to participate in America. We hope our testimony today will do some good.

Later this week NWRO welfare recipient leaders from all over the country will be meeting here in Washington, and most of them come from your home districts. I would like to emphasize at this point that we want to invite each and every one of you to meet with those recipients that are going to be here at the Dodge House for a 5-day meeting and we are going to be making some plans to deal with the laws that tant part, in what governs their lives.

From our understanding, we know that some of you are greatly concerned about how recipients get to these meetings.

Well, I want to emphasize here that some of those contributions that come in for those recipients to get to go and try to plan their own lives come from guys like yourselves, Congressmen, Senators, representatives and their staffs. They contribute to the cause because they believe that poor people should have a part, should play a very important part, in what governs their lives.



That is how those contributions come about, for those of you that are interested. We also agree that something is wrong with the welfare system and we know that the present inadequate welfare system perpetuates poverty because we live under it.

We know how our children's future is damaged by not having proper food, clothing, and medical attention. We believe that we and only we can provide the best understanding of what is wrong and what needs to be done.

Dr. Wiley?

Dr. WILEY. I would like to speak to those issues. One is the question of the welfare crisis that has so captured the concern of the President and the Nation and has led to the proposals for welfare reform and to the problem of the inadequacy of the solutions that have been offered by the President and by the present administration.

I want to preface that by saying that the solutions offered are indeed, in major respects, in the right direction, but fail to go to the heart of the matter, which is the inadequacy of the income which is provided and available to poor people to raise and nurture their families.

The welfare crisis has bothered people basically apparently for two reasons. One is that it costs too much money. The administration in its proposing H.R. 14174 said directly that "The growth of the welfare rolls threatens the fiscal stability of the States and the Federal-State partnership."

It also alluded to the harm that the present welfare system does to the recipients and the fact that it is destructive of human dignity and of human initiative. It is true that many more people are receiving welfare today and we are aware that this committee has been concerned about these problems for many years.

In fact, in 1962, when social welfare experts told you that the problem was that poor people needed more social services, you responded by recommending and having passed the 1962 amendments to the Social Security Act which provided additional rehabilitative services to welfare recipients under the assumption that this would help to reduce the welfare caseload.

The fact is, of course, that this did not work, that the welfare caseload and the welfare rolls continued to rise. In 1967 many experts pointed out the possibilities of supplying a new answer through the work incentive programs and the result was the proposal of the very harsh and punitive measures designed to force welfare recipients into work and training programs and to try to cut the welfare rolls by this kind of device.

The fact is, I think, that many of you will now recognize that this also failed, that it was not responsive to the basic issues and the basic needs of welfare recipients and poor people, and that we are now in the situation in 1969 where the President has offered proposals that he describes as "workfare" and which again raise in part some of the old solutions of trying to get welfare recipients off the rolls by getting them into job programs and training, while at the same time not providing the adequate income so necessary for people to grow and to develop and to have any kind of opportunity.

We think that it is time that somebody told this committee the truth about the problems of welfare and the rise in the welfare rolls.



The welfare rolls are not growing because welfare recipients are having more children. They are not growing because there is something wrong with poor people and they need rehabilitation.

They are growing because millions of Americans have been denied adequate education, have been denied access to decent employment and equal opportunities, and in increasing numbers these people are turning to welfare as a basic source of support.

Indeed, in the last few years our organization has engaged in vigorous campaigns to get poor people together to help them organize, to press to get the benefits, to find out their legal rights and entitlements and to press for the things that they need to meet the basic food, clothing, shelter, and other needs of their families.

Indeed, we have been assisted in this process by local poverty programs and by legal services that for the first time have been helping poor people know their rights and entitlements, and the promises under Federal laws and regulations and have been challenging some of the unconstitutional and arbitrary practices of welfare agencies which deny poor people even the meager benefits that are offered by our present public welfare system.

NWRO believes that welfare should not be viewed as a problem for this country, but should be viewed as a solution, that welfare is a way that the country can invest money in human beings, that welfare is a way that we can begin to subsidize life in this country, the way that we can begin to subsidize opportunities for all Americans.

At the heart of the matter is adequate income.

NWRO believes that in order for welfare to begin to solve the problem of poverty, every American must be assured an adequate income to meet the basic necessities of life.

Government studies by the highly respected Bureau of Labor Statistics of the U.S. Department of Labor show that the minimum necessity for a family of four in order to get the minimum standards for health and decency, is around \$5,500 per year.

Contrast this with the present average welfare payments, somewhere around \$2,000 a year, and the family assistance plan, which would only give a Federal insurance of \$1,600 a year for a family of four, and you see that we are not even in the right ballpark.

Finally, I would like to say that one of the basic things that needs to be done is that the Congress and the Government begin at least to set a goal of adequate income for every American citizen and that the Federal Government begin contributing toward that goal with the idea that a real partnership between Federal and State Governments would supply as much of the resources as they possibly can to meet the actual needs that poor people have.

Mr. Rachlin?

The CHAIRMAN. Mr. Rachlin?

Mr. RACHLIN. Mr. Chairman and members of the committee, one of my functions as general counsel of the National Welfare Rights Organization is to develop the means to persuade the Federal Government and the State Governments to obey the law.

As middle-class and white as I happen to be, I see the phrase "law and order" used about so often, but rarely is it used in the terms that are meaningful to poor people.

For example, it is not commonly known that the Federal Government and the State governments violate the law consistently, particularly in the field of welfare. Last February we here and others in the committee had the pleasure of meeting the new Secretary Finch and at that meeting we pointed out to him that one of the requirements of Federal law was that there be simplified statements, simplified regulations telling recipients what their rights were under the law.

The Secretary at that time promised to look into the matter and that was quite a few months ago and very few of the States still obey that law. Let me point out that one of the things we pointed out to the Under Secretary, Mr. Veneman, last March was that in St. Louis there were, at minimal, several thousand people whose applications had not been considered by the St. Louis welfare authorities despite the fact that the Federal regulation requires that the application be considered and determined upon within 30 days.

This has gone on for months and months. At that meeting the Administrator, Miss Mary Switzer, acknowledged that she knew about that problem for over 2 years.

Or take the problem of section 402(a)(23), which was passed in 1967. At this time a majority of the States still have not complied with the law, no matter what interpretation one takes of it, despite the fact that July 1, 1969, was the crucial date, and yet we have enormous violations of the law all over the country.

I think one of the reasons that these violations of law, if you will permit me to say that, by the States and the Federal Government occur is because welfare is still considered charity. We have not yet learned that welfare is a right, the same way other rights are determined.

Farmers, builders, people in the oil industry, all of them receive substantial subsidies in one fashion or another, from the Federal Government and yet their rights are clearly and squarely spelled out in the law and due process of the law is a normal part of their lives.

But in welfare, due process of the law is the rarity rather than the norm. One of the things that we have accepted the idea of is that there must be due process of law and life in terms of criminal proceedings and I think we have got to accept the idea that due process of law and the right to live are one and the same thing and must be applied to normal terms in people's daily living.

One of my jobs is to help find remedies for these problems. We are constantly told by HEW that the only remedy is the cutoff of funds from a State which may be in violation and, of course, that is such an enormous remedy that nobody wants to go into that one, because too many people will be hurt.

A remedy of that kind, like the atomic bomb, is really not a remedy at all and we have to do different things. For example, one of the suggestions that I would like to make, and it is referred to in Congressman Conyers' bill to some extent, is the idea that recipient organizations such as ours, registered with the Secretary, ought to have the right to initiate proceedings at HEW and in the courts. In other fields of the law this happens all the time. I see Mr. Landrum is a member of this committee and he is very familiar with labor matters and he knows that labor organizations constantly represent their



members both before the National Labor Relations Board and in the courts and I see no reason why in this law we can't have a provision that proceedings can be initiated before the Secretary or his designees by appropriately registered recipient organizations and in the courts where necessary.

These are matters that are of the utmost importance to recipients in order to establish these rights that the law already gives. At this moment I am not suggesting that we even establish new rights, although it could be urged very easily.

I am saying that we have to develop the techniques to enforce the rights that presently exist and these rights are constantly being violated.

Just a few weeks ago I happened to be invited to attend a law conference at Arizona State University and in the middle of it I am shown a letter from the State commissioner of welfare in Arizona where he openly refuses to carry out a Federal regulation that there be summaries of administrative hearings that the State has conducted. I turned that letter over to the Secretary. But that letter says the State commissioner of Arizona just refuses to do that even though he knows it is Federal regulation and he says, "I am not obliged to obey them."

Where that idea comes from I don't know, but I say to you gentlemen and ladies that we have to establish the idea that, once eligibility is determined, then welfare is a right and secondly, once one has been declared eligible, those rights must be spelled out in a normal, fair, due process manner.

People should not be terminated from assistance without a fair hearing. In other programs that I am sure all of you are familiar with, determination of rights rarely if ever happens without some kind of a due process hearing and that ought to be true of welfare recipients.

The harm to a welfare recipient if the State or Federal Government makes an error is enormous. There is no backlog. There is no reserve which a person can live upon. Even if the welfare recipient should later turn out to be wrong, the harm to the State or Federal Government is minimal as compared with the harm to the recipient.

It is with that in mind that I ask then that we adopt the principle here that welfare is a right such as other rights recognized in the law, that this right be one which bears with it the normal amounts of due process and that, thirdly, that welfare recipient organizations be given the authority to initiate proceedings on behalf of their members before the Secretary and where necessary in the Federal courts.

Thank you very much.

The CHAIRMAN. Thank you. Mrs. Sanders.

Mrs. SANDERS. I would like to go a little further to elaborate on some of the provisions in the Nixon plan which forces mothers to go to work. These mothers are with children of school age and one of the things we have to emphasize is that, if this is the case, it is going to force people to suffer the pain of starvation and the fact that a mother should have the right to stay home with her children rather than be forced to work.

She should have the right to say if she wants to work or she should have the right to say whether her children should be put into a Government-run center. One of the things that has happened is that we



know for a fact that there are not enough day care centers. We know for a fact that mothers cannot go to work. She should have the right to say what is to happen to the welfare of her children.

Under the Nixon plan she doesn't have a voice in that. She doesn't have a voice to say, "No, I can't go to work. I must stay home with my children." And what we want to know is what happens to the child that is teenaged and gets in trouble with the law. Is that mother going to be prosecuted because that child got into trouble because she was forced to go to work?

What is to happen to the child? What is to happen to the mother? Welfare recipients are very concerned about this matter.

We also know that there are no jobs available. We know that in that plan that people will be given the menial jobs. What we are after is adequate jobs, adequate for all Americans, and that is one of the things we would like to go on record: that under the Nixon plan there be provisions in the plan that you will demand that adequate jobs be given to mothers that want to go to work and that adequate training be given to that mother because most of the time when you are forced to go to work, there is no training provisions and the mother is unskilled.

So is the man that is out on the street corners that the Department has not decided to, or this country has not decided to, provide jobs for. One of the things that we would also like to emphasize here is that before you force a mother out of her home where her children's welcome will not be provided for, that you provide some jobs for those men so that they will be able to go to work so that they will have adequate income and will be able to take care of their families.

Dr. WILEY. In closing I would like to follow up on two aspects of the question of adequate income which we in the Welfare Rights Organization find so vital. I might say that the poor people who have organized, both working poor and welfare recipients, in the 300 locals in NWRO, universally identify inadequacy of their income as their most basic and pressing problem and that we feel that this country must speak directly to that issue.

In the supplement to the testimony that we don't intend to read, we submit to you a plan for an adequate income for all Americans and I would like to call attention to pages 3 and 4 in this plan, where we identify, one, the budget based on the Bureau of Labor Statistics figures which documents the need for an income of around \$5,500 a year for a family of four.

That number is easily adjusted for regions of the country, for regional differences, and we suggest some figures in here for doing that, based again on BLS. It is easily adjusted for size of family which again we have done in an illustrative manner.

(The document referred to follows:)

#### NWRO PROPOSALS FOR A GUARANTEED ADEQUATE INCOME

The National Welfare Rights Organization is a nationwide grassroots organization of welfare recipients and other poor people. It has 250 affiliates in 46 states and more than 100 cities. NWRO is launching a nationwide campaign for a *guaranteed adequate income* for every American citizen. NWRO is challenging the country to change its priorities from an emphasis on death and destruction to an emphasis on life and peace. We believe that every man, woman, and child

has the right to live. We call upon our country to begin subsidizing life!

The Bureau of Labor Statistics of the U.S. Department of Labor says that a family of four needs at least \$3,500 a year for the basic necessities of life, not counting medical care. We call upon the Federal Government to guarantee every American this minimum income.

This income should be automatically adjusted for variations in size of family, costs of living in various parts of the country, and changes in cost-of-living as they occur.

Eligibility should be based solely on need, and should be based on a person's declaration of what his needs are, with spot checks as is done under our income tax system.

The system should provide a work incentive by permitting recipients to keep 50% of earned income, up to 25% of their grant level.

Recipients should be entitled to a fair hearing prior to the termination or reduction of benefits. The hearing should take place within fifteen (15) days of the application for appeal. Special grants should be provided for recipients to obtain lawyers or other advocates.

The regulations pertaining to rights and entitlements under this system should be public information. Simplified versions should be distributed to every recipient and potential recipient.

Persons eligible for these benefits should be entitled to *free medical care, legal services, and day care* facilities of a high quality in the neighborhoods where they live.

Other services to the recipients should be on a completely voluntary basis, administered by agencies separate from those administering the guaranteed income payments. Example of these are: family planning, homemaker services, family counseling, child welfare, etc.

*Special grants should be available to take care of all special or unusual situations.* These would include grants for clothing and furniture to bring the recipients household up to minimum standards of health and decency at the time they come under the program. Replacement costs should be provided in case of fire, flood, or substantial change in circumstance.

*A recipient should have the right to choose between a flat grant or an itemized assessment of his needs,* taking into account actual cost of housing, transportation, clothing, and other special requirements he might have. This would be similar to the income tax system where an individual may either itemize his deductions or take a standard deduction, depending on which method of benefits suits him more.

TABLE I.—NWRO PROPOSED GUARANTEED ADEQUATE INCOME, SPRING 1969, DETAILED BUDGET FOR FAMILY OF 4

Category	Cost per—		
	Year	Month	Week
Food..... This allowance is a total of the BLS moderate budget cost for food at home (\$1,999 per year, \$166 per month, \$38 per week) and the BLS lower standard for food away from home (\$238 per year, \$18, per month, \$5 per week). The latter includes snacks, school lunches, etc.	\$2,237	\$186	\$43
Housing..... These costs represent the BLS lower standard costs updated. They are meant to cover all supplies and furnishings for the home and its operations including telephone and postage. Rental costs (\$1,108 per year, \$92 per month) include all items like gas, electricity, and water.	1,402	117	27
Clothing and personal care..... The items in this budget, shampoo and yard goods, as well as clothing and clothing care, are unchanged from the BLS lower standard. The cost has simply been updated.	784	65	15
Medical care..... Dental, eye care, and nonprescription drugs are included here. BLS consideration of doctor and hospital care has been omitted as explained in the text. There is no provision for appliances and supplies.	312	26	6
Transportation..... Includes school bus rides and all other use of public transportation by noncar owners.	484	40	9
Other..... Reading, recreation, and education comprise about ½ of this category. Life insurance is also included. There is no provision according to the BLS study for club membership dues, hobby expenses, or the acquisition of musical instruments.	442	37	9
Total.....	5,541	462	106



Table 1 outlines the guaranteed adequate income. It is based on the Bureau of Labor Statistics "Lower Living Standard Budget." This is the Labor Department's "minimum standard for the maintenance of health and social well being, the nurture of children and participation in community activities."

The so-called "poverty line" is not an adequate income budget, but a level below which everyone is desperately poor. It is based upon the U.S. Department of Agriculture's "economy food plan" on which it is only possible to survive with adequate nutrition for "short emergency periods of time" and only under very special circumstances, (Poverty Line income is \$3335 for a family of four). The so-called "low income poverty line," is based on the USDA's "low-cost food plan." It sets an income of approximately \$4400 a year for a family of four. Government surveys show however, that only 23% of the families with food budgets equivalent to the low-cost food plan actually have nutritionally adequate diets.

The NWRO adequate income budget therefore uses the USDA "moderate food plan" which would insure the average family an adequate diet. NWRO contends that providing adequate income is the only sure way to combatting hunger in America.

The adjusted budget excludes the basic costs of hospital and doctors care since it is assumed that free medical care would be available through national health insurance or Medicaid or some other program. It should also be noted that this budget includes no money for cigarettes (regarded by BLS as a health hazard), non-prescription drugs or medical supplies, out-of-town travel, long-distance telephone calls, dry cleaning, or use of a laundromat.

TABLE II.—1969 MINIMUM ADEQUACY BUDGET—COMPARISON OF MAJOR CITIES<sup>1</sup>

City	Index	Adjusted BLS budget	City	Index	Adjusted BLS budget
United States:					
Urban average.....	100	\$5,541	Detroit, Mich.....	100	\$5,500
Metropolitan.....	101	5,596	Honolulu, Hawaii.....	120	6,660
Nonmetropolitan.....	94	5,209	Kansas City, Mo., Kans.....	101	5,600
Atlanta, Ga.....	96	5,300	Los Angeles-Long Beach, Calif.....	107	5,900
Austin, Tex.....	90	5,000	New York City, N.Y., N.J.....	101	5,600
Baltimore, Md.....	98	5,400	Orlando, Fla.....	93	5,200
Boston, Mass.....	105	5,800	Philadelphia, Pa., N.J.....	99	5,400
Cincinnati, Ohio, Ky., Ind.....	96	5,300	St. Louis, Mo., Ill.....	101	5,600
Chicago, Ill., Ind.....	103	5,700	San Francisco-Oakland, Calif.....	110	6,100
Cleveland, Ohio.....	100	5,500	Seattle-Everett, Wash.....	111	6,200
Dallas, Tex.....	96	5,300	Washington, D.C., Md., Va.....	103	5,700

Computed from the Bureau of Labor Statistics "Lower Standard Budget," as described in the text.

The budget is based on statistical averages and is subject to 10% to 20% per variations depending on the locality. The range runs from \$5209 in most non-metropolitan areas to \$6649 for Honolulu. The budgets for several cities are estimated in Table 2.

Inflation has caused a 9.4% increase in the cost of living since BLS computed the cost of living in 1967. The NWRO budget has been updated to Spring 1969 prices.

The importance of continued recognition of special needs and of providing alternate ways of meeting needs, either through the adequate income (flat grant) or through individual considerations (computations), is important for two reasons:

(1) BLS assumed in establishing the budget that the family had been established for fifteen (15) years and had accumulated stock of clothing and furniture. The budget was intended only to cover replacements. This assumption does not apply to the average family in poverty. Thus, special grants for wardrobe and furnishings to bring persons up to minimum standards for health and decency.

(2) The budget is based on statistical averaging formulas which do not necessarily apply to real people or real situations. For example, an individual family of four may or may not be able to obtain adequate housing in good condition at the \$92 a month rent that the budget allows, even if that happens to be the average for the city in which he lives.



Similar arguments can be applied to transportation costs, where the transportation quantity for school children in the BLS budget was less than the number of days in the school year! This is because it was an average among children who rode to school and those who walked. It can be assumed that some families would be over in one category and under in another. These statistical differences may not always average out in any given family. If a family has greater need in a number of categories, they should have the option of itemizing their family budget, and applying for a grant that meets the actual needs that they have.

Table 3 gives the minimum adequacy budget for various family sizes.

TABLE III.—1969 MINIMUM ADEQUACY BUDGET (ADJUSTED BLS BUDGET)<sup>1</sup>, BY FAMILY SIZE

Family size	Budget			Family size	Budget		
	Year	Month	Week		Year	Month	Week
1.....	\$1,900	\$160	\$40	8.....	\$9,200	\$770	\$180
2.....	3,100	260	60	9.....	10,200	850	200
3.....	4,300	360	80	10.....	11,100	930	210
4.....	5,500	460	100	11.....	12,100	1,000	230
5.....	6,200	520	110	12.....	13,100	1,100	250
6.....	7,200	600	140	13.....	14,100	1,200	270
7.....	8,200	680	160				

<sup>1</sup> Computed from the Bureau of Labor Statistics, "Lower Standard Budget," as described in the text, and from the BLS "Revised Equivalence Scale" "for estimating equivalent incomes or budget costs by family types."

#### HUNGER

The elimination of hunger in the United States requires that adequate income be provided to every citizen. Poor people know better than anyone else that the hodge-podge of programs set up by the Department of Agriculture are welfare programs for farmers and the food processing and distribution industry. They are not designed to serve the needs of poor people. Welfare programs which exclude people for reasons other than need and which do not provide adequate income are a basic source of hunger and malnutrition.

Food stamp programs in which recipients cannot afford to participate only perpetuate that condition. Surplus commodity programs which cannot provide enough of the right kinds of food and which are cumbersome and inefficient do not meet the basic needs either. The food stamp program does not provide enough stamps for a nutritionally adequate diet, even if a recipient can afford to participate. The Nixon Administration's recent proposal for improving these programs provides only a one hundred dollar (\$100) per month worth of stamps. This is equivalent to the USDA's "economy food plan." USDA itself points out that "this plan is not a reasonable measure of basic money needs for a good diet;" it is a plan "designed for temporary emergency use." The "low cost food plan" (See Table 4) which is the basis for the so-called "low income poverty line," and the BLS "lower standard budget." BLS recognizes the inadequacy of the low-cost plan in the following statement: "Although families can achieve nutritional adequacy from it, it has been estimated that only about a fourth—(23%) of those who spend amounts equivalent to the cost of the plan actually have nutritionally adequate diets. Menus based upon this plan will include food requiring a considerable amount of home preparation as well as skill in cooking to make varied and appetizing meals."

TABLE IV.—COMPARISON OF FOOD BUDGETS, FAMILY OF 4, DECEMBER 1968

	Per year	Per month	Per week	Budget based on this food plan	Annual budget for plan
USDA moderate food plan.....	\$2,235	\$186	\$43	BLS moderate standard budget..	\$7,398
				NWRO minimum adequacy budget.	5,353
USDA low-cost food plan.....	1,744	145	34	BLS lower standard budget.....	4,922
				Social Security Administration low-income line.	4,400
USDA economy food plan.....	1,197	100	23	Social Security Administration poverty line.	3,335
				Nixon administration proposed food stamp program.	-----
Present food stamp program...	700-1,488	60-124	14-30	Food stamp recipients.....	-----
AFDC.....	864	72	17	AFDC recipients.....	2,592

it is for these reasons that the USDA "moderate food plan" used by BLS is developing its "moderate budget," was adopted by NWRO in establishing a minimum adequacy budget.

The solution to the problem of hunger and malnutrition is for every citizen to be guaranteed an adequate income to meet his basic food and other needs. Therefore, the money directed toward giving bonuses in food stamps could better be redirected toward providing more adequate basic income for poor people.

Until this change can be brought about the Federal subsidy in the food stamp program should be given in the form of free bonus food stamps to supplement the inadequate food budgets that poor people have. These bonuses should be large enough to bring the food budget up to the USDA's "moderate food plan" to insure adequate diets.

A less desirable alternative to free bonus stamps is to allow poor people to buy whatever amounts of food stamps they feel they can afford, based on a range of prices to be set by the Department of Agriculture for their income category.

Poor people should be allowed to trade-in stamps for money to meet emergency needs and be allowed to apply unused stamps against next month's stamp purchases.

There should be no minimum amount of stamps to buy. (People with no money should receive free stamps—people with almost no money should be able to buy very small amounts of stamps.)

Stamps should be sold at more frequent intervals (at least weekly) and recipients should set their own buying pattern (weekly, monthly, etc.).

A fair hearing process should be established for recipients to appeal the decisions of the local administering agencies' procedure that are at least equivalent to the procedures now in force to protect stores which participate in the program.

Recipients' concerns and interests should be given consideration equal to that given farmers in the regulation and administration of this program.

#### WELFARE

Much has been said and written of the inadequacies of our present welfare system. As we press toward a guaranteed adequate income much can be done to improve the welfare system NOW! The following should be implemented immediately.

(1) Repeal the compulsory work provisions of the Work Incentive Program.

(2) Repeal the Federal freeze on AFDC payments.

(3) Repeal the 1967 restrictions on the AFD-IP program and make AFDC-UP mandatory on all states.

(4) The principal costs of welfare should be borne by the Federal Government.

(5) The Federal Government should set standards of eligibility using financial need as the basic requirement.

(6) *The Federal Government should require states to provide special grants for clothing, household furnishing, other basic needs to insure that recipients have the minimum standards for health and decency.*

(7) Retain Medicaid standards and provisions as originally provided in Title 19 of the Social Security Act.

(8) Make welfare payments retroactive to the date of application.

(9) Make the declaration methods universal to all categories.

(10) Permit recipients access to their own case records.

(11) Provide special grants for legal services for appeals and for conduct of fair hearings.

(12) Provide for participation of WRO's in rule making, enforcement of regulations at Federal, state and local levels.

Dr. WILEY. Finally, I want to say that this proposal for adequate income is in contrast to the Nixon proposal of \$1,600 and only maintaining welfare payments at their present level, which is totally inadequate and second, to even the use of the poverty line as a measure of who is poor and who is not poor.



The poverty line uses formulas, and these are described on page 4, which the Government itself identifies as being inadequate, particularly in the area of the food budget, as meeting the basic needs of families.

Where you use our figures or not, which are based on the Bureau of Labor Statistics, we believe it is vital that the Nation identify what is an adequate income at least as the goal. We recognize that this committee and the Congress, because of other priorities are not prepared to embark on a very costly program of the nature that we would outline, but it couldn't cost anything to at least identify the goal and the objective, so that the country can begin building and working toward a system that provides adequately for all of its citizens. Indeed, in working toward this goal, we believe it is particularly important to recognize the need that there be a flexible program which provides for special grants for emergency needs, for the special problems which arise in the winter where high utility bills occur, which arise around school time when children have to be clothed to go back to school, and around needs such as when there is a breakdown of a refrigerator or stove or something like that in the home, where there is an emergency in the family.

I might mention that the response in many of the States to the fact of their increased financial pressure is to cut out many of the emergency provisions within their programs and it is very basic that the Federal Government begin providing both money and incentive to the States to provide for emergency needs that families have.

I want to again point out that a system which is unresponsive to the needs of the people, a system that provides a flat and inadequate grant is a system that invites disaster, is a system that invites people to go outside the processes of Government, to go outside the processes of legal redress, and to go outside the channels established within our democracy for people to be able to move for change.

I think that the welfare rights organizations have demonstrated by their organization, by their attempt to come to the Congress, to the committee, to the courts and to use the avenues provided by the Constitution for redress of the grievance of inadequate income, that so many of our people have that by using that we offer a hope and a lifeline to this country and we hope that this committee and this Congress would assist in the process of helping poor people to participate in the country, to participate in the process by providing the goal of adequate income for all Americans, and providing ways through a flexible system and through establishing legal rights and legal avenues for welfare recipients to aid recipients in being able to move to use the institutions provided by the Government, the laws and the Constitution, for getting the minimal benefits they need to sustain life in this country.

Thank you.

The CHAIRMAN. Does that complete your testimony?

Dr. WILEY. Yes, sir.

The CHAIRMAN. We do thank you very much for bringing to us your views this morning. You have very forcefully presented them from your point of view. I am sure the committee joins me in thanking you for coming. Are there any questions?

Mrs. GRIFFITHS. Yes, I would like to ask some questions.



The CHAIRMAN. Mrs. Griffiths.

Mrs. GRIFFITHS. I would like to ask you how you would handle the problem of illegitimacy. What are your suggestions?

Mrs. SANDERS. How we would handle the problem of illegitimacy?

Mrs. GRIFFITHS. Yes. what are your suggestions on that?

Mrs. SANDERS. First of all, we don't believe in illegitimacy because that was something that was started before we came along and our understanding of illegitimacy is artificial insemination and that has not occurred in any of our women.

The fact that women are receiving children without a husband has been going on for years and I would not say that that is primarily the reason that the welfare rolls are going up, because I know that that is part of what you are getting to. Our people do know about birth control. They do participate in that program and they don't have babies to receive more welfare.

Mrs. GRIFFITHS. Do you think, though, that it is possible that the fact that we have a payment for aid to dependent children gives the girl a choice in whether she will marry or receive the aid to dependent children?

Mrs. SANDERS. No. I don't think it does. I don't think it gives her a choice. I think most poor people that you are talking about here today get caught up into a trap, a trap that this country has really perpetrated to really keep people down.

I feel that if a young girl is given a chance, she will prove to the society that she can maintain the standards that society is constantly asking for. One of the things that I would like to point out here is that it is not only the poor people that are having illegitimate children.

From what I was reading the other day, it seems that illegitimacy is becoming the "in" thing among the middle class and the rich.

Mrs. GRIFFITHS. I agree with you.

Dr. WILEY. May I respond in two areas, in the question around illegitimate children. No. 1, I would like to underscore the breakdown of law and order in the society as it applies to poor people.

Mr. Rachlin has referred to this and I want to refer to it again. Whether a child is legitimate or not in your terms, whether a child is legitimate or not has to do with the child coming into the world in a relationship that is sanctioned by the society. Just let me enumerate for you once again the violations of law on the part of welfare agencies and the failure of the Federal Government to enforce them just to set that in contrast, that you can't do that.

The Department of Health, Education, and Welfare admitted to us recently that there are 18 States that have not complied with the Supreme Court decision on *Smith versus King*—

Mrs. GRIFFITHS. What is *Smith versus King*? What case is that?

Dr. WILEY. *Smith versus King* is the man-in-the-house rule.

Mrs. GRIFFITHS. OK.

Dr. WILEY. Twenty-three States do not meet the 1957 amendment standards on disregard of income. Nineteen States lack adequate foster care provisions. Thirteen States do not have plans complying with Supreme Court's *Shapiro versus Thompson* which is the residence decision and 10 States fail to protect recipients' fair hearing rights.

That is only a short list. NWRO could extend that list three or four-fold. I just say that is an example that not only are the States violating their own laws and the Federal regulations but that HEW does nothing about it.

When that is the natural order of things, for people who live at the bottom, for them to have any sense that there is some order or that established law has some relation to them is very difficult. We are asking this committee to begin to establish those processes as a bridge.

The second thing I want to say about so-called illegitimate children is that, No. 1, their numbers have not been increasing significantly as a proportion of the poverty population. The numbers have not been increasing significantly, that has been a relatively constant thing and, secondly, that the solution is not to starve off the children because the society finds them as illegitimate.

The solution is to provide an adequate healthy environment for them to grow up and for their parents to live because we know that it is poverty that breeds so many of the kinds of conditions that lead to that situation.

Mrs. GRIFFITHS. I observe that you believe that the solution for at least part of this is that the mother must be permitted to make a choice of remaining at home with children under 6, maybe for all children. But you also equally emphasize that you expect all able-bodied men should work. Do you believe that a widower with five children under 6 should be required to work?

Dr. WILEY. A widower?

Mrs. GRIFFITHS. Do you believe that a widower with five children under 6 should be required to work?

Mrs. SANDERS. Of course not. That is impossible.

Mrs. GRIFFITHS. A widower?

Mrs. SANDERS. A widower with five kids under 6 should not work. Who is he going to get to take care of the children?

Mrs. GRIFFITHS. Let's ask Dr. Wiley. You just now started agreeing with her. What you should have done was to have let her write this testimony in the first place, because I think she is right. In reality, what you are asking for in the testimony is that every able-bodied man work.

Dr. WILEY. We are talking about two-parent families. I suppose it was an oversight in the way it was written.

Mrs. GRIFFITHS. Your philosophy is so old, so deeply ingrained in society, that what you are really talking about is that every man should work and one of the reasons you are objecting to the fact that this woman with kids of school age work is, as admitted on page 7, that there are not adequate jobs for men. The real problem, it seems to me, is going begging. You aren't fighting the system. You are going right along with it.

Dr. WILEY. What is the real problem?

Mrs. GRIFFITHS. The real problem is that every parent should be permitted to go to work or required to go to work to support his family.

Dr. WILEY. Wrong.

Mrs. GRIFFITHS. But we should have a social environment in this country that permits it. Now let me ask you, will you accept an amendment to this bill that a 14-year-old girl with an illegitimate baby should be required to go to school?



Dr. WILEY. Would I?

Mrs. GRIFFITHS. Would Mrs. Sanders?

Mrs. SANDERS. I think she should be required to continue her education. Why should she be punished because she had a child? I am glad you brought that up, because it is only the poor that is branded with illegitimate children. They never brand the rich.

Mrs. GRIFFITHS. I agree with you.

Mrs. SANDERS. Nor the middle class.

Mrs. GRIFFITHS. But this is the one person that definitely should be permitted to go to school.

Mrs. SANDERS. That is the program that I am fighting for in New York. She should be able to continue her education because that is what is wrong with this country now. The minute a young girl has a baby she is kicked out of school.

Mrs. GRIFFITHS. That is right.

Mrs. SANDERS. And it only leads to more poverty.

Mrs. GRIFFITHS. Of course.

Mrs. SANDERS. She is not given a chance to really prove herself worthy of being in a sick society and that is what it is, that sick society that kicks her out.

Mrs. GRIFFITHS. And in many of the cases this is the smartest girl in the class, the one that has an illegitimate child. This is the child that certainly should be permitted to go on to school or required to go on to school.

Mrs. SANDERS. They don't have that many programs set up.

Mrs. GRIFFITHS. I would like to ask you another question.

Dr. WILEY. We have tried to focus, Mrs. Griffiths—

Mrs. GRIFFITHS. I will give you a real case and I want your suggested answer. I know a woman who had four children. She has a husband. He worked at Chrysler. He had a very good income. By the time the children reached college the husband announced to the wife that he had had enough of this, he wasn't going to put those kids through college, and he departed. He got a divorce. He then took into his home a woman with seven or eight illegitimate children. I would assume that some of the children were his but I don't know that.

The welfare in Detroit paid sufficient rent that they were paying for the home which was in his name only. He bought this woman a very nice house. How would you stop that?

Mrs. SANDERS. How would who stop it?

Mrs. GRIFFITHS. How would you stop the situation, and just let me give you the whole thing, where the legitimate wife's children were grown. They were of college age. She scrubbed floors, she paid social security tax. She paid property tax. She paid income tax. For all practical purposes, she was helping to support the woman who had taken her husband, who was living in a much better house than she was and who was being supported on aid to dependent children. How can you handle that case? Do you think that the first woman should have been forced to pay taxes to support the second?

Mr. RACHLIN. Mrs. Griffiths, may I say a word about that? It is a very tricky problem, but first of all, I don't understand this business about the divorce. She must have consented to that divorce or if she didn't consent to it she would have presumably made certain that there was adequate income in some fashion.



Mrs. GRIFFITHS. I regret to say that you are quite incorrect.

Mr. RACHLIN. It wouldn't be the first time.

Mrs. GRIFFITHS. She hired a lawyer and the lawyer settled for her for a little ramshackle house that they had both paid for and got no alimony for her at all.

Mr. RACHLIN. That is a problem with some of the members of the bar, I suppose, but secondly, more importantly than that, I don't know that one of the provisions of the welfare laws, if that is what we are talking about, is that if a man is really supporting children, really supporting them not in the figment way that came up in terms of the case of *King v. Smith*, but is really supporting somebody else's children, then the first wife certainly is under no obligation to do anything to help them along.

Mrs. GRIFFITHS. She is under an obligation to pay tax and she was paying it and part of it went into the fund that paid welfare and the second home was drawing the welfare.

Mrs. SANDERS. Could I say one thing?

Mrs. GRIFFITHS. I was so amazed at the whole case that I didn't believe it when the first woman told me and I called the welfare department and asked if it were true and they said it was. How do you handle it? What do you do?

Mrs. SANDERS. First of all, I wouldn't try to handle that case. I am not being facetious, but if it had been me I would have let him go on his merry way, because evidently he didn't want to live with me any more and he has seen to it that his kids were through school completely and I guess he felt that they were able to work their way through college, because a lot of kids do, and evidently he must have had a substantial income to walk out and I would admire him if he took over seven kids that don't belong to him, because how many men are you going to find to take care of seven head of kids that don't belong to him?

Mrs. GRIFFITHS. Part of the problem—

Mrs. SANDERS. I appeared before you before, Mrs. Griffiths.

Mrs. GRIFFITHS. Part of the problem, Mrs. Sanders, was that he didn't take them over. What he took was the payment to pay for the home that he bought and the city and the State and the Nation still continued to support those children.

Dr. WILEY. One of the problems that I am concerned about and I want to say that I and our organization are deeply concerned about the problems and the discrimination against women in the society and the special problem that women have in the society, but to seek to deal with those problems while penalizing all people who are poor by giving them inadequate income and not providing adequate income for all poor people, is really to my way of thinking, criminal and I am concerned—I want to say this straight out, that I was concerned and shocked at the description by several members of this committee when Secretary Finch presented his modest proposals and the description of this as a raid on the Treasury and a concern of this as though we were doing too much for the wrong people, when we are really basically not doing enough for the aged, the disabled, the blind, the mothers with dependent children or indeed the widowed fathers or the couples who do not have adequate income because their jobs don't provide enough.

Our basic proposal is that every family get a minimum income regardless, regardless of the fact that they do not have, or because of the fact that they do not have, enough to support themselves, and that able-bodied men, when there are two parent families, able-bodied men, we are not saying that they should be exempted from the requirement that they accept work or training. We are saying that mothers should be protected against the brutality of a society that says that a mother can be forced to leave her children in some institutional care and go and accept work.

Mrs. GRIFFITHS. The question, Dr. Wiley, is whether or not if we did anything at all for the second woman that I named to you, who was living with a man who was making a very adequate income and certainly could have taken over the children and supported them completely, weren't we really doing far too much for her? How can we ever stop that exact thing from happening over and over, and you haven't answered that question.

What kind of a law would you have to have to stop it?

Mrs. SANDERS. Wait a minute.

Mr. LANDRUM. Will the gentlewoman yield?

Mrs. GRIFFITHS. I yield.

Mrs. SANDERS. One second please.

Mr. LANDRUM. Let me ask a question of Dr. Wiley, please. It relates to the colloquy between Mrs. Griffiths and Dr. Wiley and moreover relates, I believe, quite well to the testimony Dr. Wiley has delivered here on the subject of adequate income and particularly on the subject of that income being provided by the public sources, the Federal Government.

Now, an employee of the Federal Government in a GS-3 category, the first step—there are lower ones and I am not picking the lowest category of employment—but a GS-3 in the first step, receives from the Federal Government for work performed \$4,900 per year.

Dr. Wiley, you have advocated very forcefully in your statement here an income of from \$5,500 to \$5,700, as I look at your chart. I want to hear your answer as to what we would say to that Government employee who is working 8 hours a day and getting \$4,900 a year if we give in to such a recommendation that the welfare guarantee \$5,700.

Dr. WILEY. What you would say to that person is one of two things: either you would see to it that the GS-3 wages are raised sufficiently to provide him an adequate income which we acknowledge that that amount is inadequate.

Mr. LANDRUM. Just a minute, please, sir. I don't want to cut you off, but your response is exactly what I thought it would be. When you speak to that, it requires more taxes, more income taxes, and we are already asking for more social security taxes. We are going to have to raise the taxes for hospital insurance. There is no way around it because we want these programs to continue.

I just want to know how you are going to continue to meet these recommendations without eventually coming to the saturation point, where I think we are already in some instances on taxation.

Dr. WILEY. I would like to say two things about that. Number one is that the person who makes \$4,900 assuming that his wage structure doesn't change, we feel that this person should be supplemented and that people should be supplemented if their wages are inadequate.



Mr. LANDRUM. He is already working for the Federal Government. Who is going to supplement him?

Dr. WILEY. I understand the question. He would be supplemented and he would also be subject to a work incentive, in other words, an income disregard, so that his income would probably go up. I would estimate, based on your example, if he had a family of four, his income should go up to around \$7,500, his take-home income. Where that would come from would be two possible sources.

One, we believe there should be a substantial change in the priorities of this country. The Vietnam war costs \$30 billion a year, I am sure you are well aware. The poor people feel and our organization is clearly on record that that is a total waste of tax dollars.

No. 2 is our excessive defense spending which is a very substantial waste of tax dollars, \$82 billion a year. In addition, there are many new sources of revenue that go by the board in the form of indirect subsidies, the failure to really substantially change the oil depletion allowances which allow many billions of dollars to drain away, that would otherwise accrue to the Federal Treasury, the fact that our income tax system is not sufficiently progressive to tax people who make high income.

Mr. LANDRUM. With all due respect to your very profound suggestions, some of which I think have merit, we go back to the basic question, which you have not answered and which no one ever seems able to answer and which I believe cannot be answered. Under such a plan as you are promoting, that is, when a man or a woman who is working every day, carrying out a plan of employment from an employer whether it be the Federal Government, or whether it be through private employment, receives less for his efforts than is given to one on welfare, what are you going to say to that person who is working? Are you going to say, "Quit your job and get on welfare." Is that what you are going to say?

Dr. WILEY. No, not at all. Our proposal in that area was what I spoke to first, that there should be both a wage supplementation for people who work for inadequate wages and an income disregard which allows them by virtue of their work to advance their income beyond the point it would have been if they were just totally dependent upon public assistance.

I think that this is the thrust of the Nixon proposal, which is one of the positive thrusts—

Mrs. GRIFFITHS. I would like to ask further questions.

Dr. WILEY. That it allows an income disregard of \$720 plus half of remaining wages. We propose a similar formula.

Mrs. GRIFFITHS. Mrs. Sanders, would you support free lunches for all poor children in school?

Mrs. SANDERS. Yes, I would.

Mrs. GRIFFITHS. Would you support free breakfasts?

Mrs. SANDERS. I certainly would. That is one of our next programs and in fact we are working on it now.

Mrs. GRIFFITHS. Would you support free dinners?

Mrs. SANDERS. If you can provide the free dinners, yes, Mrs. Griffiths, because you know why. There are Federal funds from free breakfasts in the Federal program and no one has applied for it and all the State has to do is apply for the funds. There are thousands and



thousands and I imagine billions of dollars that get turned back every year because these corrupted States do not apply for the funds.

Mrs. GRIFFITHS. Well, I agree with the free lunches, the free dinners.

Mrs. SANDERS. I don't think the middle class people should get taxed for it either, because one of the things you have done is upped the price on their lunches and I don't think they should pay for it.

Mrs. GRIFFITHS. One of the things which you have emphasized is that you think the woman should have a choice. in your opinion, Mrs. Sanders, as to whether she goes to work or not. In your opinion, Mrs. Sanders, if we write that into this law, do you think that the woman is going to make the choice or do you think the social workers are going to make the choice?

Mrs. SANDERS. I think the woman is going to make the choice, because I will tell you why. We have been asking that women, ADC mothers be given the opportunity to go to college, to complete an education so that they can provide themselves with some kind of a career in order for them to go back to work, but you know this has been denied. I think I testified before you last year. I was denied the help from the welfare department to go to college and I went and picked the college myself and went, and took all the tests, but they cannot pay that tuition fee. So this is a lot of this holdback of a lot of mothers. They don't have the opportunity to complete their education and to go into really decent jobs that will pay an adequate income.

Mrs. GRIFFITHS. At the present time the average woman in this country works for a little more than \$3,000 a year. Half of them work above that and half below it. There are women with Ph. D.'s who are really little more than filing clerks.

Now, I would like to ask you this. I signed a letter the other day to a woman who was receiving \$543 in AFDC payments per month. That is more than \$6,000 a year tax-free. What kind of a choice would you have to give her to get her to go back to work?

Mrs. SANDERS. What kind of a choice?

Mrs. GRIFFITHS. Yes. what kind of a job would you have to offer her to get her to go to work?

Mrs. SANDERS. Does she have a Ph. D.?

Mrs. GRIFFITHS. No.

Mrs. SANDERS. She doesn't have anything?

Mrs. GRIFFITHS. She doesn't have any training.

Mrs. SANDERS. She has no training?

Mrs. GRIFFITHS. She has no training.

Mrs. SANDERS. I would give her the opportunity of telling me if I was the administrator, what type of training program would she like, what job does she think she could be suitable for to get that kind of training, and once she told me, I would break my back to see that she got it and to see that there was a job at the end of that training.

Mr. RACHLIN. Mrs. Griffiths, let me say a word. We have a case in the courts in New York at this very moment of a woman with four children who was very anxious to become a registered nurse and who had passed all the qualifications and only a small sum of money was required for her to go to the Queensborough Community College in order to obtain the minimum requirements for her to take a registered nurse's test. The administrators in New York refused that money.

They said if she wanted to become a nurses aid, which would produce that \$3,000 income you are talking about, they would pay more money to give that training, but the idea of a welfare woman becoming a professional worker, if you will, was just beyond them.

We already won the preliminary parts of that case and we are going to win that case and that case is entitled Napier against Goldbert. But that is the kind of problem that women have to face.

Somehow, if they are black particularly, but if they are women generally, it is not conceived possible that somehow they can perform professional jobs or well-trained jobs, and one of the things we are very much concerned about is that women be allowed to make that choice voluntarily, but that they also be trained for a skill that will produce.

If a woman works as a stenographer here in Washington, or Los Angeles or Seattle or New York or what have you, she can earn more than that \$5,500 figure you are talking about. She can do it and there is enormous need for secretarial assistance and we could help train, this organization could help train that kind of thing.

Mrs. GRIFFITHS. I am thinking more of becoming chairman of the board, not secretarial positions. Don't offer women secretarial positions only.

Mr. RACHLIN. What I am pointing out, Mrs. Griffiths is even at that level they can earn more if we give them the skills.

Mrs. GRIFFITHS. I have great sympathy with your statement but this thing that I think is wrong with it is that too much emphasis is placed on what should be paid in welfare rights and too little emphasis is placed on every person has a right to a job and that is true whether it is a man or a woman and they should be given that training.

Now, I am delighted that Mrs. Sanders has agreed that if nobody else gets any training at all, the 14-year-old mother should be given some training. She should be required to go to school and if the schools can't provide it any other way, she ought to be permitted to take the baby with her.

Mrs. SANDERS. I wish you would do it in this country. You might get kicked out.

Mrs. GRIFFITHS. It's too bad, because this is the way to fight the whole system, is to see that that woman is given training, that that little girl has some training and has a chance then to make a choice which is what I think we are really doing when we say that, well, the woman should have a choice, and I am sure you are the only person, Mrs. Sanders, who is ever going to appear before this committee who believes that a widower with five children under six should be permitted to stay at home, because practically everybody else is going to say that he should go to work.

Mrs. SANDERS. I try to look at things realistically.

Mrs. GRIFFITHS. What I am doing is emphasizing over and over again the training and the requirement that they have a reasonable choice, not that she should be given more money on welfare than she could earn. She should be given training, then a chance to work.

Dr. WILEY. I think our organization disagrees with that for one basic reason, Mrs. Griffiths.

Mrs. GRIFFITHS. Because you are a man, Dr. Wiley.



Dr. WILEY. No; the policy of this organization is made by the National Coordinating Committee which is about 99 percent women and I think Mrs. Sanders can speak to that directly.

But the basic trick bag that that leaves us in is if we put 90 percent of our emphasis on training and 10 percent on income, the situation we would find is the present situation where there are not the jobs available, where you can't train the vast bulk of people who are poor today out of poverty.

It is just not going to happen and the realistic situation is to say, OK, Mrs. Griffiths, put your money where your mouth is. You say you want to have training. You say you want to have people out of poverty. Fine. Pay people the basic income they need to live today and then provide the training program and the other opportunities so that if those opportunities fail we will at least have the money so that the next generation of boys and girls are not going to be mentally impaired from inadequate diets, are not going to have dropped out of school because they didn't have the decent clothing to wear and are not going to be degraded and have the problem of having the inadequate housing and inadequate furniture and basic things that they need to live.

This is a movement addressed basically to getting the necessities of life. Mrs. Sanders is quite correct in saying we are for training programs, we are for jobs that pay decent wages and we are fighting for that, but we basically are concerned for the vast majority of people that that is not going to be their immediate solution to their poverty.

Mrs. GRIFFITHS. What I am going to work for is these free lunches for these children in school and the free breakfasts and if I can, some free dinners, and I am going to try to see to it that this 14-year-old with the illigitimate child gets the training. If there is only a small amount of money this, in my opinion, is where the money should go first.

It should help those children. It should help the girl who is just starting out, so that she has a choice because I don't think our society is offering her a choice. Therefore, this is the place where I think whatever money we have should go.

Now, I would like to ask you about these public housing applications in St. Louis. I understand that 40 percent of the public housing in St. Louis is vacant. Is that because they won't let these people in?

Mr. RACHLIN. I am not familiar with the situation on public housing in St. Louis. I talked about the applications for welfare assistance. They have been pending for several years and people have been starving in the process even though the Federal regulations require that the applications be processed within 30 days. Many of them have been going on for 6, 7, 8, 9 months and more without having their applications processed. I am sorry if you thought so. I did not address myself to public housing in St. Louis.

Mrs. GRIFFITHS. All right. Thank you very much.

Mrs. SANDERS. Can I give you one bit of information, please.

Mrs. GRIFFITHS. Surely.

Mrs. SANDERS. I would like to advise this committee and you, don't waste any more money on training programs. I don't think you can tell me of one that has been successful. Even the manpower program, the people that got training under that to become lab technicians, came



to our organization and said to us, "We got our training from manpower. We can't find a job. Everywhere we go and knock on the door, it is slammed in our faces."

If you want to save some money, and this is really what you are talking about, instead of giving welfare recipients more money to really live off or, if you want to save some money, before you set up any more programs—I don't care whether it be you, this committee or anybody—I would suggest that you consult with people, because I constantly tell the administrator in New York City, "If you want the program to work, go out and ask those people what do they want," you know, like they are tired of setting up programs and shoving it down their throats.

It might not even meet their needs, but I am quite sure if you would do the same thing that you do when you want to find out how many people are in this country, and you send census takers out, then you hire those recipients to go out in the community and knock on doors and find out what the people want, what do they feel is best for them.

They have brains. All of them are not dumb and uneducated as you think they are. They do have sense enough to sit down and come up with an intelligent answer and I am quite sure you won't waste so much money because this is what has been happening.

All of these training programs are just a waste of money. None of them have worked, and you can't tell me that they have, because I keep on top of all of them. Even though we have given some credits to the poverty program, it has not trained as many poor people as it should have.

The money has gone into the pockets of the middle class people and made their pockets that much fatter and we are still poor. I worked on the poverty program and I am talking from the heart and from experience now, because this is what happens. People are not given an opportunity to participate in this country and this is what they are saying: they want a share, they want an equal share of the wealth. This country is too rich for any of us to be sitting here saying that we don't have enough money to give to poor people in order to maintain their livelihoods.

It is too rich for that and the fact that you are saying rather than give them more money they should be going and get a job when you know for a fact that this country has failed to provide the jobs that poor people need, when you got men like Senator Eastland drawing all kinds of farm subsidies and has put many, many migrant workers out of work, these are the things that you need to be thinking about instead of telling us, "What you are saying is give people more money."

You are doggone right, give them money. Do you think people in New York City are going to live off 66 cents a day? No, it is impossible, but yet still the Governor of New York saw fit to cut the welfare budget so that parents with ADC children, the old, the aged, the blind, would have to live off of 66 cents a day.

In fact they spend more for dog food, the blind peoples' dogs, than they spend for human beings. These are the kinds of things that we are fighting and everybody in this country has a right to share this wealth. It was not set up for just one class of people and this is what we have.

One class that is getting all the wealth and the second class is getting nothing. We are constantly on the bottom of the totem pole and we are tired of that. I think it is about time that you all realize either you include us in decisionmaking that is going to govern our lives, or I am going to tell you right now, we are going to disrupt this State, this country, this capital and everything that goes on, because just sitting here listening to some of the questions, everything is throwed toward the poor. Nothing has been throwed toward the middle class and I get sick and tired of that.

I have got three kids that has got to come through this country, that has got to live in the society and my children aren't going to fight for no country that I can't go out and get a helping hand from, and I mean just that, and that is the end of my statement.

Mr. ULLMAN (presiding). Are there any further questions?

Mr. BURKE. I would like to point out in reference to your remarks about the manpower training program, that I don't know how it is working out down in New York, but up in Boston we have a very successful manpower training program and there have been hundreds of men put to work in the shipyards earning sums of money of over \$3.50 an hour. These men have successfully completed their manpower training program and are working today at the shipyards and other industries up there.

I don't know how they are conducting the manpower training program down in New York, but I can speak for my district, that the manpower training program has put hundreds of men to work in well-paying jobs, well above the minimum wages, at wages higher than \$3 an hour.

I think that when you can take a man who has dropped out of high school, who has had no trade, who has had no training whatsoever, and in a period of about 6 or 8 weeks provide for that man to take over a job that pays up to \$3 and over an hour, that program is successful. and I would hate to see, because of your emotional statement here today, that we would cut out this type of a program because it has proved very helpful in my area.

Mrs. SANDERS. Then I suggest that you and a lot of others make it work in other areas, because do you know that they have closed down a shipyard in New York City and put a lot of people out of work?

Mr. BURKE. Yes, and they were going to close down the one in Boston only we fought a little harder.

Dr. WILEY. Mr. Burke, the basic problem is that under the administration's anti-inflation program, they are talking about eliminating a million jobs within the next 9 months. Now, you are talking about training people back into jobs and they are going to be eliminating people out of jobs that already exist.

That is the trend in this country and that is a basic problem that you have to look at. There are only a certain number of jobs and to talk about training and training and getting people into jobs when on the whole——

Mr. BURKE. The only way——

Dr. WILEY. When on the whole the jobs don't exist, is the basic problem.

Mr. BURKE. The only way you can get people into jobs is to train them for the job.



Dr. WILEY. Jobs have to exist in the first place.

Mr. BURKE. The jobs will exist if some of us can have our way. We don't agree with the statement by the Secretary of the Treasury that 4 percent unemployed is acceptable. There are many of us that oppose that philosophy and there are many of us that are opposing the philosophy that the unemployment rate will have to go up to 5 percent.

There are many of us who have fought through the years to improve conditions for the poor. There are many of us who have spent 20 years fighting for the things that you are fighting for today.

This is the greatest country in the world and you cannot name any country that gives the opportunities to the people that this country does, irrespective of the discrimination that is in existence. I agree with you. I am against that type of discrimination. But there is no nation in this world that gives the opportunities that the United States does and I deplore the fact that anyone would come before this committee and threaten this country with violence as their way of seeking a solution to the problems.

I think if we work together, if we talk together and we try to help each other out, that this will be a greater nation. But there is no solution made when anyone comes before this committee and threatens to tear down the entire Nation. That doesn't offer any solution.

Mrs. SANDERS. The Nation set the problem. The Nation is the cause of the problem.

Mr. BURKE. Just a moment. I have seen the result of that type of violence in Roxbury, Mass., where they burned down the stores and they burned down the entire neighborhood and now the poor people there have no place to shop. Now they are being gouged by those people who moved into the area with the high prices. Now they are suffering as a result of the poor leadership.

Mrs. SANDERS. We have not burned anything down, Mr. Burke.

Mr. BURKE. There is no solution when somebody threatens us with violence.

Mrs. SANDERS. But you can't say we burned anything down. We have disrupted, yes; but we have not burned anything down. You can't say that. We are saying that we want to participate, not just to sit here and talk to us because I have appeared before many committees.

Mr. BURKE. And we are trying to participate and trying to offer you the opportunity to participate and we are trying to do everything possible. This is not a case of making instant coffee. This is a problem that has been with this country and with every country in the world down through history and it is not going to be overcome in 1 night or 24 hours.

We need some reasonable people and I agree with you when you say that it has taken too long, but I note here in some of your statements that you recommend the payment of \$14,000 a year to some families.

Dr. WILEY. Yes, sir.

Mr. BURKE. Well, \$14,000 a year is a pretty good income.

Dr. WILEY. But if you have a family of 13 which is what we are talking about, it is not such a good income. It is a subsistence income.

Mr. BURKE. I agree that when you are trying to get something you aim high. I have a bill in here to raise social security by 50 percent, but right now the way I have been fighting for a whole year, I am



willing to settle for 15 percent at this stage. This is the way progress is made and it is not made by threats.

Mrs. SANDERS. Are you prepared to let us sit down and help make some laws? You are not prepared to do that.

Dr. WILEY. I would like to say one thing. Congressman Burke, we in the National Welfare Right Organization are familiar with your record and it has been a source of some encouragement and admiration to us that you have fought for social security, that you have fought for higher welfare payments, that you have resisted the 1967 amendments and in fact we are aware and to our knowledge you are the only Congressman that voted on the floor of the House of Representative against the 1967 amendments.

Mr. BURKE. That is correct.

Dr. WILEY. And for the right reasons.

Mr. BURKE. What I want to point out is that you make my crusade very difficult when you come in here and make threats, not you, but the young lady.

Mrs. SANDERS. I made it. George Wiley didn't make it and I have the right to say what I feel like saying, Mr. Burke.

Mr. BURKE. Of course, you have a right. God bless this country that everyone can say what they think.

Mrs. SANDERS. I am tired of being harassed by folks.

Mr. BURKE. But don't make the task difficult for those who are fighting for you. Don't make it so difficult that we can't win.

Mrs. SANDERS. I don't think it will harm your good record.

Mr. BURKE. There are some people who will say there is no solution to this problem.

Mrs. SANDERS. That goes for anybody that has a conscience sitting there. If you are doing a good job, I don't think it will harm your record at all.

Mr. BURKE. It makes it very difficult. I want to point out that I agree with your statement about the handling of mothers and keeping them in the home. I think that this is a basic principle that we should adopt and I don't think that this Government can write into law mandatory provisions to require a mother to go out and work and abandon her children.

I believe if we are going to strengthen the family life in this country we should get the mothers back into the home where possible and I think the mothers should be given that opportunity.

I also want to note that maybe through inadvertance you neglected to mention the child welfare cases in this country, the children who are wards of the State, the children who have no parents, no mother or father or anyone else and are just thrown upon the State and this Federal Government of ours only contributes 6 to 9 percent toward their upkeep.

I would imagine that you would recommend raising the Federal appropriation from the present \$57 million at least up to its authorized amount of \$110 million and possibly higher than that later on: is that correct?

Dr. WILEY. Certainly. Mr. Burke, I think what we would say though is that on the issue of mothers working, I think our organization really would support Congresswoman Griffiths' approach in that we feel that the mother should have the opportunity to work. We are not saying

that the mother has to be forced back into the home if her choice was to go out and accept a job. We only oppose the requirement that forces her out of the home. We feel that the mother should have opportunities for training, opportunities for jobs, opportunities for day care, opportunities even if she is a single parent family that she should be able to make the choice of whether she goes to a job or training program or whether she spends her entire time with her family, and I hope we did not present the view that we take the male supremacy route of saying that men should work and women have to stay home.

Our organization does not take that position, but really emphasizes not straight jacketing the women by forcing them to work or giving them inadequate income if they elect to stay at home with their children.

Mr. ULLMAN. Mr. Corman.

Mr. CORMAN. Thank you, Mr. Chairman. Dr. Wiley, do you have any estimate of the number of people who are eligible for public assistance who are not now receiving it?

Dr. WILEY. Well, it varies substantially from State to State, but I am glad you asked the question because in most States for every person receiving there are probably two or three additional people eligible but not receiving public assistance and the dramatic growth in the welfare rolls in the last few years is more related to more people who were eligible all the time beginning to get the assistance, than to the fact that there has been any change or breakdown in the welfare system itself.

Mr. CORMAN. It seems to me that that is a very important fact and one that I thought was correct. From a third to a half of people who are eligible are receiving it so that in just keeping our present standards, if everybody got the welfare they are entitled to, it would just about double the cost of welfare.

Dr. WILEY. Yes.

Mr. CORMAN. We had some testimony from the administration about the jobs that people might be required to take. The Secretary of Labor opposed us writing in the requirement that the jobs would have to pay the minimum wage. Would you care to comment on that?

Mr. RACHLIN. Mr. Corman, I think unless you write a provision like that into the law it means that the Federal Government in effect will be subsidizing industry that pays low rates and really perhaps ought to be examined as to whether those rates for those industries should not be raised to the minimum rate.

Why should the Federal Government subsidize poor industries that pay poor rates? We want those people to earn an honorable decent wage and not have the Federal Government subsidizing that kind of thing. Every industry ought to follow the minimum wage without exception, including agriculture.

Mr. CORMAN. It did seem to me that we were getting ready to subsidize low wages instead of poor people if we followed the Secretary's suggestion.

Mr. RACHLIN. Precisely, Mr. Corman.

Mr. CORMAN. If we look a moment at the unwed mother, widow, or for whatever reason, no father in the home, and she makes the decision that she does want to work, but she has small children, as I understand the administration's proposal, they estimate it will cost \$1,600 for each



preschool child and \$400 for each schoolchild for reasonable care in child care centers.

Now, I have no quarrel with that, but I think we ought to observe that in most instances that is going to involve a substantial amount of money, more than is being paid now for subsistence for that family. Is that a reasonable observation?

Dr. WILEY. Yes; it is correct.

Mr. CORMAN. Assuming that we can somehow handle our economy so that there are jobs available for trained people, do you have any estimate as to what it will cost to train an able-bodied man who because of a variety of reasons, none of which are his own fault, reaches adulthood and is illiterate. We must start by teaching him to read and write and then teach him a skill that he can sell in the labor market. What kind of a per capita investment are we talking about to make in that man?

Dr. WILEY. I don't know as we have any figures on that, sir.

Mr. CORMAN. It would be a rather substantial amount, though; wouldn't it?

Dr. WILEY. Yes, it would be.

Mr. CORMAN. I ask these questions, not because I am opposed to this approach at all, but rather I hope we don't adopt some rather broad goals and not fund them and then complain because the goals were not reached. It does seem to me that what most Americans want is a decent job at a decent salary and adequate care for their children in those cases where there isn't both a mother and a father.

Dr. WILEY. I think those are worthwhile objectives for their own sake, of providing everybody basic education and basic training. One of the things that we found onerous is using that objective as a way presumably of reducing the welfare costs and the welfare rolls. That really is objectionable and I think is going to be self-defeating.

Mr. RACHLIN. If I may add one thing, Mr. Corman, we have information in our records on, for example, the thing that you alluded to before, that in Mississippi women are being forced to work as domestics at very low wages and then, of course, what will happen under the new proposals is that domestic assistance will be subsidized by the Federal Government in this kind of program.

Mr. CORMAN. From the last figures, I was aware of, I think domestics in Mississippi earn \$4 a day, \$20 a week, which doesn't come close to the \$1,600 minimum.

Mr. RACHLIN. That means the Federal Government will be paying for private domestic service in one fashion or another.

Mr. CORMAN. One of the things that concerns me is the rather substantial cost of public assistance at the local level, and in Los Angeles it is county ad valorem taxes which must supply a substantial portion of public assistance. It seems to me that we would be better disposed to finance most of welfare at the Federal level with some small percentage of State matching funds, but to get public assistance off the ad valorem tax rolls so that those funds could be used for services that serve the total community. Is that a worthwhile objective?

Dr. WILEY. We basically agree with that objective: yes. We believe, with the inadequacy of the grants, that a system which keeps the States involved to meet the basic rights of people is important. We feel that there ought to be relief for the local taxpayers and we feel that the



system which uses property taxes and sales taxes as the base for subsidizing public assistance is really a very regressive tax system, and it should be this committee and the Federal tax that should be used and it should be even more progressive and more heavily distributed on the corporations than it is at the present time.

Mr. CORMAN. I yield to my distinguished colleague from Florida.

Mr. GIBBONS. That is all right. I appreciate my colleague yielding; if I could ask one question before I leave. I looked over your testimony and budget and let me say it is very thoughtfully done and I have one question that sort of hangs me up because a lot of the things you say I agree with.

That is, if a family of four gets an income of \$5,400 or \$5,500 a year, what motivation is there left for a lot of people to work? Down in my part of the country, you can live pretty good for that sort of income, and I know a lot of people that work pretty hard and don't make nearly that much money even working in jobs that pay more than the minimum wage.

What motivation is there left for anybody to work?

Dr. WILEY. Let me tell you the basic motivation. When Congressmen were getting \$30,000 a year there was motivation to raise it to \$42,000 and I am not being facetious. For people that make \$5,000 there is motivation to make \$6,000 and \$7,000 and \$8,000 and \$10,000. When they are making \$10,000 they want \$20,000. I am saying that those are the basic economic incentives that have been in our society.

We are saying that the minimum that anybody should have to live should be that that provides the basic necessities of life, of food, clothing, and shelter. If you want to argue with the Bureau of Labor Statistics figures that we present, than what it takes, debate that with us on what the minimum amount is, we think that these are minimum figures that have been developed and that there is not a lot of fat in that \$5,500 figure.

We feel you have to begin with that as the floor. What is the incentive for someone who gets that floor to get any more? If you are getting \$5,500 at the floor and you go out and get a job and earn a couple of thousand dollars and the Federal Government then takes away from you that whole \$2,000, there is no incentive at all to work. But what we are advocating is that a work incentive be built in the same as President Nixon is advocating, that a work incentive be built in where the first portion of income is exempted and then some fraction of income beyond that first portion.

The result is that a person who works would begin with a minimum of \$5,500, but would then after he worked, have his income progressively increased and not have no increase until you made \$6,000 and then there is a benefit available to you. So the idea of a work incentive or an income exemption, call it what you want, being built into the system, which allows for a smooth transition from those people who make the minimum to those people who work, will always provide an incentive for people to work.

Mr. GIBBONS. Thank you.

Mr. ULLMAN. Thank you very much, Mrs. Sanders and Dr. Wiley and Carl Rachlin for what I consider very stimulating testimony.

Mr. RACHLIN. Thank you very much.

(The following letters were received by the committee:)

RIDGEWOOD, N.J., October 28, 1969.

HOUSE WAYS AND MEANS COMMITTEE,  
The Capitol,  
Washington, D.C.

GENTLEMEN: I am a member of the middle class . . . the great mass of Americans. We do the country's work, fight its wars, and pay its taxes. We support its wards, of which Beulah Sanders is one.

Because we are occupied with earning a living and buying shoes and clothes for the vast and growing horde of "Mrs. Sanderses", we do not have time to come to Washington and abuse the House Ways and Means Committee as she can. Nor would we, since we are moderate people.

We are members of the middle class purely because our lives have, for generations, been devoted to constructive employment. We have never thought to demand any form of support from government . . . and certainly not in Mrs. Sanders' vicious and antisocial terms.

We deeply regret that the Nixon cabinet should contain such a one as Secretary Romney who recently introduced a new concept in federal fiscal policy: that of Punitive Taxation. He proposes to treat us of the middle class as America's Untouchables; he would add to our financial burdens as a means of teaching us a lesson. His message is that those who do not work, who do not bear a hand at the oars, should nonetheless live on a par with those who do. Just who would wish to work under such an arrangement, Mr. Romney does not say. Perhaps he does not know. I certainly do not.

Now, despite the existence of a few like Mrs. Sanders, I am sure that most relief recipients are willing to work if they have to. It is only that combination of available subsidies and runaway inflation (largely a result of such subsidies) makes work an unprofitable activity for those in the lower economic strata. In New York City, the dole pays better than the Post Office.

In those circumstances, I don't blame people for preferring to remain home and gripe. And it is little wonder that they have ample time to demonstrate and—too often—to destroy government and private property which the hated middle class has paid for and must then replace.

Our country, with all its productive capacity, with all its natural resources, with all its enlightenment, is slowly but inexorably losing its role as the commercial hub of the world.

We cannot forever raise our prices while simultaneously eroding our ability to produce goods and services for which humanity is willing to pay. Americans today buy cameras, watches, toys, radios, clothes, an increasing number of automobiles, foodstuffs, raw metals, etc., etc., etc. from other countries . . . countries that make products as good as ours but at more-than-competitive prices. Our balance of trade is at its lowest point in over thirty years.

What we are doing, gentlemen, is selling America as the American Indian sold Manhattan . . . for a few dollars' worth of shiny beads.

I do not believe that (well over) 10 percent of the population of New York City requires public support. Not when 1,000 taxis spend the day in their garages (while people run a block on foot to catch one of the cabs that are operating). Not when we get fewer mail deliveries than we did twenty year ago. Not when offices are crying for clerical help. Not when the streets; the subways; yes, even the backyards of the very poor whose plight we so deeply pity; are heaped high with litter and garbage. Not when the charming small restaurants that were once a delightful feature of New York are shutting down right and left.

No. There is still a great opportunity for work. But enterprise can no longer compete economically with sloth, when the latter is generously subsidized.

This must change or America will go the downhill way of Egypt, China, Greece, Rome, France, and Great Britain.

I inherited no wealth from my parents, both of whom worked to their dying days to maintain a decent (but by no means affluent) standard of living. I will leave no great wealth to my descendants.

But there is one thing I do want to leave them as my right and theirs. I want to leave them a vigorous and viable country in which, by work and thrift, they can hope to live better and better as time goes on . . . in which they can have some pride, not as a result of being fed at the public teat, but as a result of their own efforts.

It is a meaningful, and sad, commentary on the futility of public support that Mrs. Sanders does not see her three children working and striving toward useful, successful careers but, instead, as agitators who "are not going to fight for this



country. . . " Well, we all hope that they won't have to, but isn't it a bit early to start training them as revolutionaries?

You have met Mrs. Sanders, I haven't had that pleasure. Yet, from her remarks as quoted in print, I have the impression that she is capable of self support. Why not suggest that she try it for a change? It might take her mind off violence and channel it into something that would help the country that gave her birth and that now is paying her way.

All too truly yours,

DANIEL L. BAUCH.

LINCOLN, CALIF., October 31, 1969.

HOUSE WAYS AND MEANS COMMITTEE,  
House of Representatives,  
U.S. Congress,  
Washington, D.C.

Re: Mrs. Beulah Sanders and Welfare.

GENTLEMEN: I have worked very hard in the past to help welfare recipients receive adequate funds for the care of their children. But people like Mrs. Sanders make it hard to convince other people that they deserve more than what they are presently getting.

Where does she get the idea that the "middle-class is getting it all"? She has rocks in her head!

Most of us "middle-class" got where we are by hard work. After WW II my father was laid off from a factory because of automation, veterans returning from the war, and his lack of education. He had six children, and was told by the welfare department he could "earn" more on welfare than he could on a job because of his lack of education (he did not have the \$300 to rejoin the carpenter's union—a job for which he had the necessary skills). My father refused. He said (and I recall his words vividly) "I will never go on welfare unless I am ill and cannot work and my family is starving." He pounded the pavement daily for jobs—being at the employment offices long before they opened at 8:00 a.m., then looking all day long. Finally he found a job that paid a little—but at least it was an honest job and he wasn't living off of someone else's hard work. He continued looking for a higher-paying job, and one day one came along; he took it, worked hard, and bit by bit moved up the ladder. But he worked hard, and conscientiously, and he was a good and honest worker!

When we first moved to St. Louis it was during WW II and at first the only housing we could find was a tenement slum apartment. However, my parents didn't feel it was a decent place to bring up kids, so after work each day my father, as tired as he was, would check in the newspapers, and again, pound the pavement. He was told by various people he was a fool, that there was a war on, and absolutely no housing, especially for a man with five small children. My parents firmly believed that somewhere there was a house with grass and trees in a nice neighborhood. One day—about two months later—they found a small house with a big back yard with grass and trees and in a quiet little neighborhood—at half the price they were paying for two rooms and a shared bath in a rotting tenement apartment house!

Our parents constantly taught us hard work, honesty, integrity, and "to study hard to get all the education you can". My father practiced what he preached (my mother had completed her high school education before marriage—my father hadn't even finished the 8th grade). After I was married (after working for a year-and-a-half as a secretary, and going to college for two years—and for which I earned every penny) my father returned to night school working on courses to fit him for supervisory work (*job training*, if you please). He completed his courses and became a supervisor.

After his youngest daughter married, and his inexpensive home in a run-down neighborhood paid for he quit his job, looking for a higher paying one. And, he got it. He is now in the middle-class, after nearly sixty years of hard work! I dare anyone to begrudge him his new home, his new car, his color T.V. and stereo set. He earned them fair and square! He often worked at two jobs to help pay for his first home (payments were less than \$50.00 a month, but that was still twice what he had been paying in rent for the little house) and to keep us kids in food and clothing. Father repaired our shoes (in his spare time) and mother remade hand-me-down clothing which kind friends gave us.



I have a brother who is an instructor in a college (he is deaf, by the way—deaf since the age of six because of a childhood illness); a sister who is a secretarial supervisor, two sisters married and not presently working—but whose husbands are working and supporting the family, and one sister in college (paying her own way, naturally), plus an invalid sister who lives at home.

So you see I can very well get angry at the fact that these mothers on welfare feel they should not have to work, yet want as much money (from us who do work) as a hard-working family man. I have to work (to pay taxes, by the way), and I have a pre-schooler! I'd like to stay home. Not to sit on my fanny and smoke cigarettes and stuff myself with chocolates in front of the idiot box, or sit and read junky "true love" magazines. I don't smoke, seldom have candy, the T.V. set is broken, and I can't stand those trashy magazines. When I'm home, I work for such things as the OEO (unpaid), helping to start head-start programs, cancer drive, ad infinitum.

We middle-class wives have "involuntary servitude"—to pay taxes and pay for insurance and our own medical bills, so people like Mrs. Sanders can storm into the House Ways and Means Committee and threaten everyone with violence—and especially people like me who have worked hard all our lives (I started scrubbing floors at the age of 4 because my mother was pregnant and couldn't get down on her hands and knees; I also began washing dishes at the age of 4, ironing at the age of 5, and sewing my own clothes at the age of 10).

Yes, I work, when I'd much rather stay home, so people like Mrs. Sanders can have it all free! And she wants \$5,500 a year for a family of four for doing nothing! My husband earns \$7,000 for a family of 5 (and we are adopting another child soon—so that will make \$7,000 a year for a family of 6)—we are also still paying on the approximately \$25,000 it cost him for 5 years of graduate work. He has nine years of college and that is all he earns!

Since Mrs. Sanders gave you ideas on ways to save money—to consult the poor. May I suggest a way?

1. Take the children away from the people on welfare (chronic cases with healthy mothers and/or fathers who refuse training programs and work). Sociologists will tell you that usually children grow up with their parents' ideals. Lazy shiftless parents produce lazy shiftless kids, who in turn either have illegitimate children (for society to support) or marry young and then have hordes of kids, ending up on welfare. Middle-class families should be subsidized to take in these children who would then raise them with good middle-class ideals of thrift, hard work, and seeking after success.

2. Sterilize all the lazy, shiftless men and women so they could not produce children for society to support. I'm getting fed up with having to work, taking my child to a baby-sitter's so some other mother can sit home and not do a blankety blank thing!

We middle-class people should organize. Middle Class Rights Organization would be a good title. We could threaten violence, too (although that is not a part of our culture pattern). Seems as if that's the only thing that gets results anymore!

I think we should take care of unfortunate children, the aged and the ill and the mentally retarded and mentally deficient; but certainly not healthy men and women too lazy to even try to take a training program for a better job.

I do realize that there are not enough jobs to provide work for all the people in the United States. Or, at least that is what I'm told constantly. However, I see all sorts of organizations needing voluntary help. If there really aren't enough paying jobs to go around, then these welfare people who are capable of doing something, could take a voluntary job—something worthwhile—and at least do *something* for their money.

I was brought up with the idea you don't get something for nothing. You pay for everything you get! So, I guess I can't help the way I was brought up. I guess Mrs. Sanders can't help the way she was brought up. The way she rebels at the idea of even a job-training program I guess she was brought up with the idea that the world owes her and her multitudes of offspring a living. She's too old to change, but perhaps there is hope for her children if they could only be brought up in a different environment.

I'm sarcastic, because I'm good and mad. But I don't drink, I don't smoke, I don't have a stereo or working T.V. set, I don't go to the movies (four times in ten years!) and I don't spend my money foolishly. And I'm tired of working my fingers to the bone to pay for someone like Mrs. Sanders! There are enough projects that do need my money—like air and water pollution control, elimination

of slums and ghettos, better education for everyone's child, parks, waterways, etc., for "everyone's" recreational use, camps for under-privileged children, better health care and benefits for the aged, better health care and more funds for the truly needy, better mental health services, better rehabilitation of the criminal, medical research, etc.

Since I don't have the money, or the financial backing, to come before your committee, this letter will have to do. I hope it will "have its day in court" in lieu of my attending.

Sincerely,

EARLENE CHRISTENSEN.

Mr. ULLMAN. The committee will stand recessed until 2 p.m.

(Whereupon, at 12:45 p.m., the committee recessed, to reconvene at 2 p.m. the same day.)

#### AFTERNOON SESSION

(The committee reconvened at 2 p.m., Hon. Al Ullman presiding.)

Mr. ULLMAN. The committee will come to order.

Our next witness is Mr. Coy.

Mr. Coy, we are pleased to have you before the committee. Would you please identify yourself for the record?

Mr. BETTS. Mr. Chairman?

Mr. ULLMAN. Yes, Mr. Betts.

Mr. BETTS. I would like to take this opportunity to welcome Mr. Coy. Although he is not a constituent of mine, I am well acquainted with him, as his Congressman has recommended him very highly. I know that he is an authority on the subject he is bringing to us today, and I am sure the committee will profit by listening to all he has to say.

Mr. ULLMAN. He comes well recommended, Mr. Betts.

I want to just say for the benefit of the witness that there is a quorum call on, and that is the reason there aren't more members here. But we welcome you, sir, before the committee.

Please identify yourself and proceed as you see fit.

#### **STATEMENT OF L. BENNETT COY, PRESIDENT, BOARD OF TRUSTEES, THE BARNEY CHILDREN'S MEDICAL CENTER**

Mr. Coy. Thank you, Mr. Chairman and members of the committee.

My name is Bennett Coy, and I am president of the board of trustees of the Barney Children's Medical Center in Dayton, Ohio. I represent a voluntary board of trustees whose sole interest is adolescent and child medical care in Ohio.

Our center serves an eight-county area, and, as the supporting data submitted for the record indicates, we have had phenomenal growth in recent years.

I respectfully request that this oral statement and the supplementary supporting data be included in the record of the proceedings.

Mr. ULLMAN. Without objection, Mr. Coy, it will appear in the record.

Mr. Coy. Thank you, Mr. Chairman.

Rather than discuss the philosophy of program such as title V, part 4, section 532, of the Social Security Act, I would like to talk about people, specifically people among those least able to care for themselves, our little people, the children of this Nation, and specifically our area within the Nation.



Our medical center is dedicated to these little people from all types of homes. Some are from the affluent section of society whose parents can well provide for them, but about half of the little people we care for come from homes without medical insurance and with extremely low incomes. Yet this spectrum of society is producing children in need of medical attention and cannot afford to provide such care, children in our area from families that are poor, that are indigent, and, I might add, from families having an income of less than \$4,500 a year for a family of four. They need the facilities we provide on the local level and they need your support.

The support that you are giving us today under title V must continue as we are all dealing with our future—our children.

The area of Ohio that I represent here today has provided a \$5 million facility, including a 150-bed children's hospital, for the general care of youngsters. All the construction and equipment money has come from the local level, from voluntary donations without fund drives or any governmental contributions. We have provided the facilities for more than 20 outpatient clinics, including pediatric hematology, the only one in Ohio. Soon two additional clinics will be opened, including a planned-parenthood clinic for teenagers, something which was discussed before this committee this morning.

Gentlemen, what I am saying here is that we hope you give every consideration to continuing and expanding the children and youth projects in this Nation. If at all possible, we hope you will recommend increased fund authorization and then carefully review annual appropriations and possibly match the authorization with requests for appropriations.

Our center, listed as Project No. 617, has to date received, over a 3-year period, \$1,900,000, an average of \$630,000 per year, channeled from the Federal Government to the State of Ohio, and thence to the center. The funds are used judiciously and for direct care and treatment of children from indigent families. The funds are matched by corresponding volunteer services as required by statute.

I wish to commend the medical community within our area for their donation of time to make this shared program possible. For example, we are the only hospital institution in southwestern Ohio that has medical doctors on hand 24 hours a day to care for emergency patients. These doctors provide this time free of charge, volunteer their efforts, and live in the institution for the 24-hour period.

I think it is rather significant in the light of some of the testimony that you heard this morning that there are still doctors who believe in humanity, and daily contribute to society.

The data we have submitted along with this oral statement contains statistics to indicate the scope and depth of our activity. It cannot tell you of the children returned to health through attention by dedicated specialists provided by the program developed by this committee some years ago.

Gentlemen, you are considering revisions of the Social Security Act. In the area I have discussed our request is that the children and youth projects be reauthorized for continuance well beyond the present concluding date of fiscal year 1971. The local programs now initiated must be funded on a continuing basis well into the future.



The last page of the data submitted indicates a minimum annual patient visit volume under this program in our area of 36,000 patient visits. These children, prior to the opening of our medical center and prior to the children and youth project initiation in our area in fiscal year 1967, had little to look forward to in terms of health care. Now they have a lovely facility, a well-equipped and, thanks to this project, well-staffed medical center to turn to.

If I had sufficient time to detail several cases, or even one, you would fully comprehend my statement. These children need you, the program, and the local-level support. We on the local level will continue our efforts to provide the facilities and the necessary equipment. We hope and pray that you will see fit to extend this program well beyond fiscal year 1971, the last now specified by the authorizing legislation.

We on the local level have provided the facility and most of the equipment. Your assistance in providing continued staffing is of vital necessity. These children must be returned to health and given the opportunity to physically compete in our society.

I thank you, and the children of our area in Ohio thank you for your past efforts and for your attention today. We all invite you to visit our center—you might talk to Congressman Whalen about that—and see firsthand the wonders that you have helped to bring about.

Thank you very much.

(The documents referred to follow:)

STATEMENT OF L. BENNETT COY, PRESIDENT, BOARD OF TRUSTEES,  
THE BARNEY CHILDREN'S MEDICAL CENTER

BARNEY CHILDREN'S MEDICAL CENTER,  
Dayton, Ohio, October 24, 1969.

Hon. WILBUR D. MILLS,  
*Chairman, Committee on Ways and Means,  
House of Representatives,  
Washington, D.C.*

Re title 5, part 4, section 532, Social Security Act.

DEAR MR. MILLS: Enclosed are copies of background and statistical information that support the oral testimony I gave on October 27, 1969.

It is a privilege to have the opportunity of expressing my thoughts on the importance of extending Title 5, Part 4, Section 532 of the Social Security Act relating to grants for Comprehensive Health Services for Children and Youth.

Sincerely,

L. BENNETT COY,  
*President, Board of Trustees.*

BARNEY CHILDREN'S MEDICAL CENTER

CHILDREN AND YOUTH PROJECT NO. 617

(George P. Sperry, M.D., Director)

The Children and Youth Project of Barney Children's Medical Center, Dayton, Ohio, provides the children from low-income families in a wide geographic area in Southwestern Ohio a facility for the delivery of medical care of the highest quality. There is no comparable service available to these children. It is probably needless in this report to reiterate the facts relating to this poor health, for the current literature as well as supporting evidence in favor of the legislation which gave birth to the Children and Youth Projects, is replete with such information. The Project, now in the beginning of its fourth year, has become a highly significant influence in facing the problem of poor health among medically indigent children. This report constitutes a resume of the activity of Project #617.

The Children and Youth Project is considered principally an out-patient service. We have defined a family as indigent if the gross annual family income is below \$4500, for a family of four. The income may be greater in increments of \$500, for each additional family member dependent upon that income.

There are four principal areas of program activity: (1) Long term medical management for all medical problems, (2) Specialty care for diagnosis and treatment of a specific problem only—primary medical management remaining elsewhere, (3) Episodic acute care for children receiving the services of an agency on-going medical management program which meets all other needs of the child, and (4) Medical screening.

There is no charge to anyone for the following services which are rendered by professionals funded by the Children and Youth Project:

General Pediatrics	Eye
Pediatric Surgery	Nutrition
Hearing and Speech	Psychology
Social Service	Dermatology
Endocrinology	Allergy
Cystic Fibrosis	Urology
Cardiology	Orthopedics
Neurology	

The following services are not funded by the Children and Youth Project and are purchased from Barney Children's Medical Center for children requiring them if no other third-party source of payment is available:

Orthoptics	Physical growth evaluation
Laboratory	Emergency service
Radiology	Pharmacy
E. E. G.	Outpatient inhalation therapy
E. K. G.	Dentistry
Muscular dystrophy	Physical Therapy
Occupational therapy	Birth defects evaluation center
Cleft palate evaluation center	Hematology
Pulmonary disease evaluation	

In-patient hospitalization (to extent funds permit)

Most of the children served are brought directly by their parents for care. The Project has also developed a wide array of affiliations with community agencies and their programs. The Project has become the principal medical resource for most of these agencies. Project Search, an O.E.O.-sponsored number of children, and once monthly, "Barney's Army" of psychologist, social worker, speech pathologist, audiologist, and pediatrician holds a satellite evaluative clinic in Eaton, Ohio. Well-child Clinic is staffed weekly in the West Dayton Self-help Center. Indigent patients of the Dayton Children's Psychiatric Hospital are automatic Project registrants and all the ambulatory services of Barney are available to them at no fee to anyone. Children under custody of the Child Welfare Board of Montgomery County are also registrants in the Project. All ambulatory services funded by the Project are available to them at no cost to the County. The Children and Youth Project organized and conducts the annual Summer Head Start Medical Program in which all of the children in this program in five counties are given a thorough examination. The pediatricians of Dayton contribute their time as matching funds toward the Project and 1,600 hours of non-professional volunteer time are required for the four (4) week Summer Head Start Examination Program.

In addition to the summer screening program, Tuesday activities throughout the year are devoted to a screening program which now has reached a degree of sophistication. Any child from any group for no fee may receive a thorough exam. This is an efficient, inexpensive method of detecting disease in large populations. Organizations which utilize this service include the Dakota Street Center and principally, the Early Childhood Education Program of the Dayton Board of Education and the O.E.O.-sponsored Miami Valley Child Development Day Care Centers. In the past school year, approximately 3,000 children have been examined in this program. For this year-round effort 2,500 hours of volunteer time are contributed by citizens of the community. Follow-up procedures are undertaken by the agency or physician in the community most appropriate depending upon the socio-economic situation of each child.

Recently, the Children and Youth Project has developed a medical program with the Family and Children's Service which promises to be a model of infant care. A single physician is entrusted with coordinating all aspects of the relationship. Children under the auspices of this organization receive all indicated ambulatory services, again at no fee.

The Project has strengthened its ties to the Health Departments of Dayton and Montgomery County. In January of 1969, a Children and Youth Coordinator was added to the staff and entrusted with the responsibility of coordination of Project efforts not only with health departments but with all agencies involved with the Project. Referral procedures were documented and distributed. Internal methods of reporting to parent organizations and referral sources were developed. A meeting in April with representatives of all the private and public Child-Care agencies in Metropolitan Dayton served to clarify for them the aims, possibilities, abilities, and limitations of the Project.

We have continually searched for new methods to increase the efficiency of our available professionals. Expert personnel are hard to find and difficult to fund once they are found. Paper-work is kept to a minimum. In the screening programs, scribes are provided to record the verbal directives of the examiner. In the clinics, the professional writes his orders, but clerical and nursing personnel perform the appreciable volume of reporting and requisition work required. If a report to a referring agency is required, the professional requests it of the Children and Youth Coordinator whose office abstracts the record and sends it out. A combination referral-medical history form has been developed which can be completed by the referral source or by a specially trained medical interviewer and thus free the professional from the time consumed in routine recording of history. We have investigated and are promoting the concept of the pediatric nurse associate and plan to inaugurate a pilot program in the coming year.

A program which interests us greatly and to which we have rendered our full support is the Charles R. Drew Neighborhood Health Center being developed by the Model Cities Planning Council. The ideal of comprehensive care envisioned by this center is shared by us. Our successes and failures in developing a similar program are available to them for study. In addition, there are many professionals who will need experience and training prior to the time that the Health Center begins its operation and we have offered that training and experience. Categories such as hearing and speech assistants, community aides, practical nurses, and medical interviewers have been suggested. The Children and Youth Project will provide referral care for services in which it has competence.

Perhaps the most unique and potentially productive result of the Children and Youth Project is the assembly of a large number of professionals provided with the opportunity to develop new approaches to the delivery of health care. It is an experimental and free environment allowing for interchange of ideas and failure of new programs as well as success.

The development of the Children and Youth Project has placed us in the cross-currents of the principal issues of American medicine. Traditional systems of health care delivery are being intensively re-examined by all the medical and para medical disciplines as well as many vocal segments of the laity. Where once the physician and his patient were left to develop a working definition of the need, this definition has now become the property also of others less immediately involved with the subtleties inherent in the delivery of optimal care. Protagonists become antagonists as each firmly details his own bogeyman, but the bogeyman is in the eye of the beholder. Organized medicine is assaulted and organized medicine assaults but the truth is not apparent and the answers are not clearly discernible. Comprehensive care is good care and it can be delivered in a variety of ways. In the final analysis, the quality of care depends on the availability and quality of the professional delivering that care and the organization of the delivery is not paramount.

Comprehensive care requires an abundance of well-trained and empathetic personnel provided with the necessary tools, and available to the patient. The degree to which the Children and Youth Project becomes able to provide comprehensive care is a direct function of the quality of its men and material.

The Children and Youth Projects are in a unique position to address themselves to the many unsolved problems relating to optimal delivery of medical care. The Projects represent a concentration of qualified personnel whose principal responsibility is to develop concepts and supervise their implementation at the local level. It is their purpose to not only broadly theorize but to see that theory becomes reality. The record of the Children and Youth Project in Dayton clearly illustrates the success of this principle. Not only are large numbers of children receiving a quality of care which previously has not been available but many innovative methods have been researched and implemented. But this is only a beginning. There remain major problems to be analyzed, researched and solved.



The broad area of preventive medicine in pediatrics has been successful principally in the area of immunizations. However, methodology has not yet been implemented to thoroughly make aware the average child those elements of living which if neglected are the "real" causes of the alarming morbidity and mortality statistics in the indigent population. Health Education should be a part of the daily life of each child and it can best be implemented through the public schools on a continuing basis. Our experience has been that this aspect of the child's education has been fragmentary and superficial.

Perhaps the most perplexing problem which comprehensive care is idealistically designed to resolve involves the prevention and management of behavioral disorders. The whole child is our object. He is to realize his own greatest potential. But we submit that the quality of life is influenced not by the occasional ministrations of highly trained professionals but by the myriad of pressures of everyday living and family life. Methodology has not been developed anywhere to my knowledge to realistically, through medical and para-medical professions, significantly alter the quality of life when it should be altered and in numbers sufficient to be meaningful for large populations. The Children and Youth Project at its onset, was deluged with referrals for behavioral disabilities. This is where a great need lies. We are good at organic disease and we like everyone else, are not good at non-organic disease.

If comprehensive care includes complete dental care we are also not good at this. Here is where men and tools could do the job. We have some interesting statistics. Eight thousand Project registrants should each have five dental visits each year to repair and prevent their very severe dental problems. Forty thousand visits are required. Our dental facility at full operation, six days a week, can care for seven thousand visits. The cost for these 7,000 visits is about \$100,000.00. The cost for the 40,000 visits would be \$600,000.00.

The cost of medical care is rapidly becoming rather prohibitive. Extensive research is necessary to develop and implement less costly methods such as graded and minimum care facilities applicable to the extent of each patient's illness.

A major problem which has not been solved satisfactorily in the State of Ohio is the long term care of the non-ambulatory patient requiring nursing procedures. The cost for families becomes prohibitive after only a few weeks and hospitalization insurance rarely begins to meet the expense involved.

The adolescent age group continues to be neglected at the very time when this population is exposed to ever increasing conflict and pressure. They are not children and they are not adults yet they have formidable problems which are not being approached satisfactorily.

Clinics such as ours are afforded a unique opportunity to offer family planning advice and this aspect of our program will receive increasing concentration in the next few years.

A problem has been created by the presence of the Children and Youth Project in Metropolitan Dayton. It has "whetted" the appetite for more of the same and it has served to illustrate with clarity the need for more and comparable services. It has become a standard of care against which other methods are measured and the other methods are often found wanting.

We are, of course, concerned about the somewhat indefinite nature of financial support after fiscal 1972. The program in Dayton has operated at a static financial level since its inception while continually broadening the scope of its activities. It has accomplished much but the day when it reaches the end of its potential may be near at hand unless additional support is forthcoming.

STATISTICAL DATA, CHILDREN AND YOUTH PROJECT NO. 617

	Fiscal 1967		Fiscal 1968		Fiscal 1969	
	Federal	Matching	Federal	Matching	Federal	Matching
Grant awards.....	\$665,152	\$235,842	\$661,000	\$286,056	\$676,000	\$318,295
Grant expenditures:						
Care.....	48,000		227,181	128,869	138,298	187,574
Personnel.....	445,880	76,190	351,766	42,059	412,614	26,050
Supplies.....	161,272	159,652	82,053	115,128	125,088	104,671
Total.....	665,152	235,842	661,000	286,056	676,000	318,295

Children enrolled as of October 1, 1969 : 9,000.

Current annual patient visit volume : 36,000.

Geographic area served : Metropolitan Dayton, including Montgomery County, Greene County, Warren County, Miami County, Darke County, Preble County, Clinton County and Shelby County.

Criteria for enrollment : Gross annual income of less than \$4,500 for a family of four. The income may be greater in increments of \$500. for each additional family member dependent upon that income and/or a diagnosis of Cystic Fibrosis.

Affiliated agencies and programs : Project Search, Dayton City and Montgomery County Well Child Conferences, Daytin Children's Psychiatric Hospital, Montgomery County Child Welfare Board, Summer Headstart medical program for five counties, Family and Children's Service, West Dayton Self Help Center, Speech and Hearing Center of Dayton and Montgomery County, Federal Programs of the Dayton Board of Education including Early Childhood Education and Project Follow Through, Miami Valley Child Development Centers.

#### SERVICES PROVIDED

Direct : General pediatrics, pediatric surgery, hearing and speech, social service, endocrinology, cystic fibrosis, cardiology, neurology, eye, nutrition, psychology, dermatology, allergy, urology, orthopedics.

Purchased : Orthoptics, laboratory, radiology, E.E.G., E.K.G., muscular dystrophy, occupational therapy, cleft palate evaluation, pulmonary disease evaluation, physical growth evaluation, emergency service, pharmacy, outpatient inhalation therapy, dentistry, physical therapy, birth defect evaluation, hematology, in-patient hospitalization.

Mr. ULLMAN. Mr. Coy, let me say that it does my heart good to hear that kind of testimony and to hear what the results of programing have been in this particular area. I only wish all the other members could be present, but those of us who are here will certainly spread the word to them about the beneficial effects of your particular program.

Mr. Betts.

Mr. BETTS. This probably isn't of too much interest to the committee, but is your facility much the same as the Betty Jane Center at Tiffin? Do you know that?

Mr. COX. Not too much. It is much more similar to the Children's Hospitals in Columbus, in Akron, and in Cincinnati, with one great exception.

We have an ongoing outreach program of staff specialists, medical specialists, that go into the eight counties surrounding the city of Dayton to screen the children who cannot afford treatment, then bring these children into our center either on an out-patient basis or on an in-patient basis for corrective surgery or medical attention.

I believe the one that you are referring to is primarily a screening facility with the idea of home care more than in-hospital or in-medical-center care, if I am correct in that, sir.

Mr. BETTS. I think they have both, but they are both great institutions.

Mr. COX. By all means.

Mr. BETTS. And they contribute a great deal to the community.

Mr. COX. By all means.

Mr. BETTS. Thank you.

Mr. COX. I would like to make one comment. I am sorry Mrs. Griffiths isn't here.

I am male, and I am president of our board, but the chairman of our board is a lady, and she has done a fantastic job in our area of securing for us the necessary funds to accomplish our purpose.

Mr. ULLMAN. We will make sure she gets the word.

Thank you very much, Mr. Coy.

Mr. COY. Thank you, Mr. Chairman.

Mr. ULLMAN. Our next witness is Mr. Rosanetz.

Mr. Rosanetz, we are happy to have you before the committee again. Despite the fact you have been here before, will you please identify yourself for the record and for whom you are appearing and proceed as you see fit, sir.

#### STATEMENT OF HERMAN ROSANETZ, NEW YORK, N.Y.

Mr. ROSANETZ. Thank you very much, Mr. Chairman.

I appear as an individual. My name is Herman Rosanetz. I reside at 68 East 3d Street in New York City.

Mr. Chairman and members of the Committee on Ways and Means of the 91st Congress:

How much longer are the American people going to support programs which are now covered under the Social Security Act and the welfare program? As we are fully aware, under title I of the Social Security Act, which is "welfare," the Federal Government supports programs such as home relief, aid to the blind, aid to the disabled, and old-age assistance. Yet under title II of the Social Security Act, section 223, which is the disability section, social security benefits are given to persons below retirement age who are blind and disabled.

I ask, why should there be two types of programs under social security and under "welfare"? Remember, Mr. Chairman and members of the Committee on Ways and Means, persons who are receiving social security disability benefits cannot work at any time. If they were able to work, they would not be eligible for social security disability payments.

Furthermore, you will agree that every person, like myself, who is receiving social security disability benefit is below retirement age. Yet the individual who receives social security benefits based on his or her retirement age of between 62 and 65 years can earn at the present time \$1,680 per year without losing any money from his social security check.

What provision is there in section 223, which deals with disability, to permit a person who is totally disabled to work?

I am well aware that a person who is receiving social security disability benefits can work for a period of 9 months and still receive the monthly benefit. But if that person continues to work beyond the 9 months, the social security disability payment is cut off. What about the individual who is unable to work even after all the vocational rehabilitation training, and he cannot support himself? Why should that individual be compelled—as is the case at the present time—to apply for public assistance?

I am quite sure you will agree that the individual who is receiving social security disability benefits at the present time must have worked some time before becoming totally disabled. There has never been any consideration as to how those persons who receive social security disability find themselves existing on their monthly benefit check.

I therefore propose to eliminate three programs from the Federal welfare programs, that is, (1) old-age assistance, (2) aid to the blind,



and (3) aid to the disabled, and put these funds into a social security trust fund, since the Social Security Act under title II covers those same programs.

Furthermore, I propose that general revenues from the U.S. Government be used to pay everyone \$200 per month who is receiving social security benefits. My two proposals are aimed to guarantee everyone \$200 per month, without regard to the amount of their earnings during their working years, as is now the case.

Permit me, further, to propose a setup similar to the WPA, which was Government-sponsored during the depression years of the 1930's, for those able-bodied persons who are on welfare and who cannot find work through their own efforts.

I also suggest an extension of medicare to those persons and their children who—that is, the parents—are receiving social security disability benefits.

I appeal to you, the members of the Committee on Ways and Means of the 91st Congress, to consider the poverty condition in which this group of disabled persons find themselves today.

In closing, I wish to call to your attention something new which is taking place in our trade union organizations in connection with retirement pensions, and I am giving this information as a member of the Amalgamated Clothing Workers of America. I want to have that clearly understood. And I am giving it to you without anybody pushing me to tell you this of my own free will.

In 1968 the Amalgamated Clothing Workers of America signed a labor agreement with the Men's Clothing Manufacturers Association in which they stipulated an increase in pay plus various other welfare benefits. But in the agreement, the Amalgamated agreed to freeze the union pensions of those retired members who had retired prior to June 1, 1968. In other words, any member who retired before June 1, 1968, receiving \$75 per month is not eligible to any increase in the union retirement benefit. Any person who retired after June 1, 1968, is eligible to increase in the union retirement benefit if that person was a member of the Amalgamated Clothing Workers of America for over 20 years, in which event members receive a pension increase of \$1.50 per month for each year of membership over 20 years.

The oldtime retired members who had struggled to build the Amalgamated Clothing Workers of America are being denied an increase in their pensions, and they are also anxious to have me plead in their behalf. It would help them enormously if the U.S. Government would use general revenues so as to insure everyone \$200 per month, without regard to the amount of earnings during their working years.

The practice of freezing the amount of pension benefits for the "old-timers" prevails in trade unions throughout the United States. I would suggest that the Committee on Ways and Means question any representatives of the AFL-CIO who may appear before you in the course of this public hearing on social security legislation, in considering the matter of freezing retirement-pension payments such as organized labor is not sanctioning to the detriment of their old retired members.

In connection with the people I was talking about, housing and things like that, in 1935 we opened up the first public housing in the United States not sponsored by any public agency. It was set up on

the lower East Side of Manhattan on Third Street between First and Avenue Way. The ground was donated by the John Astor Estate, and we tore the buildings down through WPA help. We turned the bricks inside out and used whatever was usable to keep the expenses down of this pilot public housing.

There was no interest displayed. There was no idea this thing would ever be such a thing as it is now. But we went around to all these different people and asked for their support.

At that time a Socialist was like a Communist, and we were considered screwballs. And when we set this thing up 2 years later, I believe it was the late Senator Wagner who introduced the first Federal Housing Act in 1937, so it started off, and this is where the roots came so that this particular thing came about. And I would like to get this thing straight.

We had an organizer by the name of Sam Fiengold who laid his prestige and everything on the line to get this thing put over. We knew what the conditions were, how many people were being burned out from their apartments, toilets in the yard, no toilets in the home, no hot water and things like that. So while I don't want to identify myself to be given credit for it, at the same time I just want the record to show where were these so-called fighters for welfare fighting to give these people a better place to stay.

I was looking to question them on that, but Mrs. Beulah Sanders knows me pretty good from New York, and she was shocked when she saw me here. She ran riot with Mr. Wiley. If they would have been here, they would have seen where the cards lie and they would have walked out without their heads in their hands.

Mr. ULLMAN. Does that conclude your statement, Mr. Rosanetz?

Mr. ROSANETZ. The retired members such as I have spoken about didn't push me to say this, because I know the situation. I hope for whatever Sinclair was for before he died in the 1940's or even lately, to give everyone equal amount without looking for supplementary from welfare if you didn't get enough. We want to give people a self-dignity.

There is a cry that the Federal Government should take over welfare. The right approach, in my opinion, is to eliminate programs where funds are being given for five or six same ideas, and this is one of the things that was enacted under the Roosevelt administration. It was good at that time, but we got to move to consolidate and let the public know that we are not supporting 50 programs which are all the same, and this is welfare where you have three programs still today where these things should be gone under the Federal Government. And these people who are getting social security benefits, let's not blackjack them to put them under public assistance.

I am getting \$140 a month, and if I didn't have somebody to give me a little assistance personally, I would be in a heck of a fix, so I want you, as we all say but we don't practice it, to feel for me as well as I feel for you. Put yourself on my side of the fence, and I will put myself on yours. And I know how I would feel if it was reversed.

I hope you won't take it as offensive.

Mr. ULLMAN. Thank you, Mr. Rosanetz.

Are there any questions?

We always enjoy your appearance before the committee, Mr. Rosanetz.

Mr. ROSENETZ. Thank you.

Mr. ULLMAN. The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 2:23 p.m. the committee adjourned, to reconvene at 10 a.m. on Tuesday, October 28, 1969.













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